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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

REGINA, SASK.

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ROYAL COMMISSION ON TRANSPORTATION

--On commencing at 9.00 a.m.

THE CHAIRMAN: Order, please. Yes, Mr.

Doherty? Proceedings of hearings held
in the Y. M. C. A. Building,
Regina, Saskatchewan, on the
15th day of February, 1960.

I will ask the Commission to give consideration to the
submission of the Regina Chamber of Commerce. The
witness in this case is Alex Aitken, the

Manager of the Chamber of Commerce. Mr. Aitken has

COMMISSION

Mr. M. A. MacPherson, Q.C. Chairman

Mr. H. Ancomb Member

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Mr. H. A. Mann Member

Mr. A. Platt Member

DIRECT EXAMINATION BY MR. DOHERTY:

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. H. W. Ellicott Adviser

Mr. F. W. Anderson Secretary

Major N. Lafrance Assistant Secretary



Regina, Saskatchewan,
Monday,
February 15, 1960

---On commencing at 9.00 a.m.

THE CHAIRMAN: Order, please. Yes, Mr.
Doherty?

MR. DOHERTY: Thank you, Mr. Chairman. Now,
I will ask the Commission to give consideration to the
submission of the Regina Chamber of Commerce. The
witness in this case will be Mr. Alex Aitken, the
Manager of the Chamber of Commerce. Mr. Aitken has
been associated with the Chamber of Commerce for over
twenty-six years, and in the last twenty-four has been
manager of the Regina Chamber of Commerce.

I will call Alex Aitken to take the stand.

ALEX AITKEN, called

DIRECT EXAMINATION BY MR. DOHERTY:

Q. Yes, Mr. Aitken.

A. Mr. Chairman and gentlemen, in 1886
Regina, the capital of the Northwest Territories, had
a population of about 1,500. That was the year that
about thirty of the merchants organized a Board of
Trade through which to work for the development of
their town and area. More people and more transpor-
tation facilities were among their most immediate
needs. Though not quite seventy-five years have
passed that frontier settlement is now the capital of
Saskatchewan, with a population estimated to be about



1 105,000. The Board of Trade has become the Chamber
2 of Commerce with a membership representing seven hundred
3 and fifty firms.

4 The growth of Regina is a reflection of the
5 growth of the West and particularly of the prairie
6 West. The lure of low priced, easily worked,
7 fertile land, and expanding railways brought the people,
8 and Regina grew with the country. Regina's fortunes
9 have been linked with the railways from the very begin-
10 ning. W. C. Van Horne, general manager of the C.P.R.,
11 helped select the site for Regina. For these and many
12 other reasons the Regina Chamber of Commerce is very
13 interested in this inquiry and it hopes these views of
14 its directors may be of some value to the investigation.

15 I would like to interject briefly at this
16 point that while this statement expresses the views
17 of the directors of the Chamber of Commerce, the
18 preliminary studies and the first outline were prepared
19 by the Transportation Committee of the Chamber. It is
20 a relatively small committee, composed mainly --
21 but not only -- of the traffic managers of some of
22 our largest firms. The many fine firms represented on
23 the committee buy in the aggregate approximately
24 \$12 million worth of transportation service per year.

25 The Crow's Nest Pass Rates were established
26 to help to develop the prairie area. We believe that
27 they have been a most important factor in the growth
28 which has taken place. They have resulted in the
29 establishment of a great wheat economy. Diversification
30



1 is taking place but wheat continues, and, we hope, will
2 continue to occupy a very important place in the
3 economy. In spite of favourable rates that economy
4 is struggling with many grievous problems today. Farm
5 leaders are quite outspoken about the cost-price
6 squeeze as it affects agriculture. Wheat is certainly
7 not in a position to carry higher freight rates and the
8 railways accept that fact. The Chamber favours the
9 retention of the Crow's Nest Pass Rates at their pre-
10 sent level and in their present status as statutory
11 rates.

12
13 The railways have made a voluminous study of
14 the cost of moving traffic under the Crow's Nest Pass
15 Rates. Their figures will no doubt be fully analysed
16 by others much more qualified than the Chamber to
17 perform such a task. We have always understood that
18 conditions in the prairies are much more favourable
19 than many other areas of Canada for low construction,
20 maintenance, and operational costs of railways. We
21 refer to such favourable factors as the relatively
22 flat surface of the prairies; the absence of many
23 formidable barriers such as rock, forest, river or
24 muskeg and soil that could be readily worked even
25 when horses were the main source of power. We hope
26 that due consideration has been given to these
27 factors in the railways' cost study.

28 We get the impression from the railway study
29 that the railways have only one problem, namely the
30 Crow's Nest Pass Rates. This may be due to the



1 emphasis on this problem at this stage of this inquiry.
2 Even if these rates constitute as great a problem as
3 the railways claim them to be, surely they cannot
4 be the only problem facing the railways. The Chamber
5 would prefer to see the problem of the Crow's Nest Pass
6 Rates analyzed as one among the other railway pro-
7 blems in order to see each in its proper relationship
8 to the other.

9 If some railway services are not now com-
10 pensatory, and if the losses incurred by them are made
11 up from the profits of other railway services, this
12 would not be an unique situation. Similar situations
13 can be found in many ordinary businesses. But rail-
14 ways are not ordinary businesses -- partly because
15 they are public utilities, and partly because, in some
16 instances at least, they have come into being and have
17 been used, on occasion, as instruments of public policy.
18 It should not be surprising, therefore, to find them
19 providing some services at a loss either voluntarily
20 or otherwise. We realize that it is up to management
21 in an ordinary business to decide what losses shall
22 be recovered from other revenues, and that the rail-
23 ways do not always have a choice. However, the fact
24 that they may operate some services at a loss is not
25 in itself justification for the relief which the rail-
26 ways request in connection with the Crow's Nest Pass
27 Rates.
28

29 If it can be shown that lower returns from
30 Crow's Nest Pass Rates have a serious impact on other



1 traffic revenues, the Chamber believes that other
2 investigations have shown that the burden, whatever it
3 may be, is borne in the main by the West and especially
4 the prairie west. If we understand the railways'
5 position correctly they would use a subsidy to make
6 up for the alleged losses on the Crow's Nest Pass Rates
7 and thereby take the burden from other traffic. Those
8 creating this traffic would no doubt welcome rate
9 reductions but the Chamber hopes that relief can come
10 through measures other than that proposed by the
11 railways.
12

13 As the situation appears to us, rising costs
14 have a great deal to do with the railways' current
15 difficulties. Any measure which ignores the forces
16 of inflation in relation to costs is bound to be in-
17 effective in the long run. Many costs are a reflection
18 of inflationary forces in our economy and unless these
19 forces are checked the solution proposed by the railways
20 would not be a final one. Some attention must be
21 directed to the part inflation plays in rising railway
22 costs if a satisfactory solution or part solution is to
23 be found. Some of these forces may be within the scope
24 of management, others having to do with fiscal policy,
25 may not be. We want to stress that the railway problem
26 cannot be isolated from the overall problem of infla-
27 tion, and to further stress that the remedy proposed
28 by the railways is to seek to cure a symptom, not a
29 disease.
30

A measure which the Chamber hopes has further



1 possibilities, is the reduction of costs by a continua-
2 tion of the process of modernizing railway equipment and
3 adoption of new techniques of operation. The railways
4 have made and are making remarkable progress in these
5 directions. Diesel power, larger box cars, longer
6 trains, longer operating distances, etc., have brought
7 greater efficiency and lower costs. We assume that
8 these processes are continuous. We just hope they
9 can be continued to the extent of making further
10 substantial savings.
11

12 The Chamber believes that big reductions in
13 costs might be possible if the railways were given
14 greater flexibility in selecting the means used by
15 them to serve the public. For instance, we understand
16 that the railways are incurring huge losses by having
17 to provide scheduled rail services to areas that could
18 be very adequately and certainly much more economi-
19 cally served by trucks. These losses are incurred
20 because the railways do not have enough freedom of
21 choice in determining how best to adjust to changing
22 economic and social conditions. We have in mind
23 the movement of people from the rural to the urban
24 areas, the rise and fall of the smaller urban centres,
25 the part played by the private passenger car and
26 truck in making obsolete the distances used in pioneer
27 days in spacing towns and villages along the railway.

28 Other measures may be taken along the lines
29 provided in the Canadian National-Canadian Pacific Act.
30 Many studies of further possible economies were under



1 way at the time of the Turgeon Inquiry. One of these
2 had to do with a combined freight terminal at Regina.
3 Has anything come out of those studies? The Turgeon
4 report referred to two possible deterrents to more
5 speedy action by the railways under this Act. One
6 was the absence of any authority to determine how effec-
7 tively the railways were trying to cooperate to effect
8 economies. The other was the absence of any authority
9 to resolve relatively minor differences between the
10 railways that prevent agreement on measures that might
11 be adopted. The Chamber would like to have these
12 points examined to determine if progress is being made
13 and can continue to be made in bringing about further
14 economies under the C.N.-C.P. Act.

15
16 The Chamber strongly opposes any suggestion
17 that nationalization is the solution to railway pro-
18 blems. Canada has nationalization of one railways.
19 The Chamber does not believe that nationalization of
20 the other would have any advantage not now enjoyed.
21 On the contrary, the Chamber believes that it is highly
22 desirable to have a private system to provide a
23 yardstick by which to compare various operations of
24 the two systems. The Chamber believes that competi-
25 tion between the two systems is healthy and desirable.

26 The possibilities of these measures and
27 others which may be suggested during this investigation
28 should be exhausted before subsidies are concluded to
29 be the only solution to the railway problems. The
30 Chamber opposes subsidies in principle. It believes that



1 they contain great dangers in that they could tend to
2 perpetuate uneconomic rail services and discourage the
3 development of new modes of transportation. Subsidies
4 should be used only as a last resort, after all other
5 measures have been proved inadequate, to protect a
6 clearly defined public interest. They should be sub-
7 ject to periodic review by some competent authority.

8
9 If the railways substantiate their claim that
10 the Crow's Nest Pass Rates are non-compensatory, and if
11 subsidies are adopted, then, as expressed earlier in
12 this submission, the Chamber assumes that the subsidy
13 will be accompanied by a reduction in other rates. In
14 the Chamber's opinion this is a very vital point. The
15 railways should give some assurance that reductions
16 will follow subsidies and possibly some indication
17 of what rates will be affected. If a subsidy is eaten
18 up by new costs such as new wage demands, the freight
19 rate level would not be changed. The railways'
20 competitive position would be unchanged. There is
21 a very real possibility that subsidies could be followed
22 bu, and indeed, start a new round of wage demands.
23 The Chamber regrets that labour costs are excluded from
24 the scope of this inquiry.

25 Finally, we wish to draw the Commission's
26 attention to what we consider to be an inequity in the
27 freight rates that concerns Regina directly. The
28 Chamber supported the principle of equalization of
29 freight rates. It believes that through rate between
30 two points should be lower than a combined rate between



1 two points. For example, we believe that the rate
2 between Toronto and Regina should be lower than a
3 combination of rates from Toronto to Winnipeg to
4 Regina. There are many instances where the opposite
5 situation prevails. For example, the through rate
6 on a carload of cable or wire is \$3.57 per 100 pounds.
7 The combined rate is \$2.78 per 100 pounds. We do
8 not want to lose the advantage of the low combination
9 of rates, but this advantage should be available in
10 a more favourable through rate. The lower combina-
11 tion favours growth of distribution facilities at
12 Winnipeg to the disadvantage of Regina.

13
14 Thank you, gentlemen, for the opportunity
15 to present the Chamber's views to you.

16 THE CHAIRMAN: Thank you, Mr. Aitken.

17 CROSS-EXAMINATION BY MR. COOPER:

18 Q. There are just a very few questions
19 arising out of the submission of the Regina Chamber of
20 Commerce which I would like to put to you, and I refer
21 first to page 4 of your submission, paragraph 10, where
22 you say:

23 "The Chamber believes that big reductions
24 in costs might be possible if the railways were
25 given greater flexibility in selecting the
26 means used by them to serve the public.

27 For instance, we understand that the railways
28 are incurring huge losses by having to provide
29 scheduled rail services to areas that could
30 be very adequately and certainly much more



1 economically served by trucks."

2 I take it that you have reference there, perhaps among
3 other things, to branch line abandonments?

4 A. Yes.

5 Q. Do you consider that the railways should
6 be permitted to abandon branch lines upon proof of
7 losses in the operation of such branch lines, and do
8 you think that should be the only test or should there
9 be some other test or tests relating to the abandonment
10 of branch lines?

11 A. I think the term "abandonment" is a
12 little bit strong here; I say the substitution of a more
13 economic means of service to the area. I am not sug-
14 gesting it may be necessary to abandon the branch line
15 itself. I suggest that it might be desirable to
16 abandon the scheduled rail service and replace it by
17 a truck service.

18 Q. Are you suggesting that that truck ser-
19 vice should be supplied by the railway?

20 A. I am not suggesting that, sir; I think
21 that is a situation which would have to be met in any
22 given locality by existing circumstances. There may
23 be provincial regulations which would make it difficult
24 for the railways to compete with the franchised trucker;
25 there may be adequate truck service provided; they may
26 suggest an outside trucker and they might use their own.
27 I think they have various alternatives.

28 Q. If I understand you, you are suggesting
29 that on the abandonment of a scheduled service the
30



1 railways should be responsible for the provision of
2 some other service in the sense of at least ensuring
3 that there is adequate service or will be adequate
4 service, say, before there is any abandonment of an
5 existing rail service?

6 A. Yes, it is a substitution of a more
7 economical type of service, and we think the railways
8 should have the freedom to choose which mode of ser-
9 vice will be provided.

10 Q. You say further in paragraph 10:

11 "These losses are incurred because the railways
12 do not have enough freedom of choice in deter-
13 mining how best to adjust to changing economic
14 and social conditions."

15 Is the suggestion in that sentence to the effect that
16 the railways are over-regulated in the opinion of the
17 Chamber of Commerce?

18 A. I would say that the suggestion is
19 definitely there, sir.

20 Q. That there should be a relaxation of
21 the present controls over the railways?

22 A. Yes.

23 Q. Now, you mention in paragraph 11 on page
24 4: "Canadian National-Canadian Pacific Act," and you
25 state:

26 "The Turgeon report referred to two
27 possible deterrents to more speedy action
28 by the railways under this Act. One was the
29 absence of any authority to determine how
30



1 effectively the railways were trying to
2 cooperate to effect economies."

3 Is the Chamber of Commerce suggesting, by the sentence
4 I have read in paragraph 11, generally that somebody
5 should be charged with -- if I may use the term --
6 policing the Canadian National-Canadian Pacific Act?

7 A. Policing might be a little too strong
8 a term.

9 Q. But I think you know the sense in which
10 I am using the word?

11 A. I think that is what the Turgeon Com-
12 mission had in mind, and I think we concur in that view-
13 point.

14 Q. There is also this suggestion:

15 "The other was the absence of any authority
16 to resolve relatively minor differences between
17 the railways that prevent agreement on measures
18 that might be adopted."

19 Now I suppose any body that was perhaps appointed to
20 oversee the workings of the Canadian National-Canadian
21 Pacific Act would perhaps also be charged with the
22 duties implicit in the sentence which I have just
23 read?

24 A. I think that is right, yes.

25 Q. On page 5, paragraph 13, you state:

26 "Subsidies should be used only as a last
27 resort, after all other measures have been
28 proved inadequate, to protect a clearly
29 defined public interest. They should be subject
30



1 to periodic review by some competent authority."
2 What authority did you have in mind there, Mr. Aitken,
3 or did you have any specific authority in mind?
4

5 A. We didn't, sir.

6 Q. Are you suggesting the creation of a new
7 body charged with the duty?
8

9 A. No, I am not suggesting it, but it is
10 almost implied when we suggest it is necessary we
11 should have a body, but we are not suggesting what kind
12 of body.
13

14 Q. Or whether the existing body or some new
15 authority?
16

17 A. That is right.

18 Q. You also state in paragraph 14:

19 "The railways should give some assurance
20 that reductions will follow subsidies and
21 possibly some indication of what rates will
22 be affected."
23

24 Is the Chamber there suggesting that any subsidy should
25 be conditional upon the undertaking by the railways to
26 reduce rates?
27

28 A. I think that is practically what we mean
29 because our understanding is the whole point of getting
30 a subsidy is to compensate for non-compensatory rates
in order to take the pressure off the other services
which are presently making up the difference in these
rates.

Q. Would you make the granting of any subsidy
conditional upon the reduction in rates?



1 A. I don't think we would go that far.
2
3 However, it certainly seems that the two almost go
4 together; subsidies should be reflected in reductions
5 in other rates.

6 Q. Mr. Aitken, in paragraph 15 it is
7 stated that the Chamber believes that a through rate
8 between two points should be lower than a combined rate
9 between two points. Do I understand that the Regina
10 Chamber of Commerce contends that a through rate should
11 never be higher than the total of two or more combined
12 rates between the same points?

13 A. That is what we say here, and that is
14 what I think we mean.

15 CROSS-EXAMINATION BY MR. HUME:

16 Q. Arising out of something you said to my
17 learned friend Mr. Cooper, on page 5 of your brief,
18 the last matter he was discussing with you with respect
19 to the reduction of rates, does your Chamber have in
20 mind there a reduction of the class and commodity rates,
21 or a general reduction of all rates including competitive
22 rates?

23 A. We have in mind a reduction in the rates
24 which are presently carrying what is alleged to be the
25 losses from the Crow's Nest Rates.

26 Q. In other words, the \$20 million subsidy
27 had the effect of a roll back in certain classes of
28 rates: are those the classes of rates that you have
29 in mind?
30



1 A. Wasn't this \$20 million for another pur-
2 pose? Wasn't it to compensate for a wage increase?

3 Q. Oh, yes, but the effect, as I under-
4 stand it, of the administration was to provide an
5 automatic roll back for certain rates. Do I take it
6 this reduction you refer to would operate in somewhat
7 the same manner, or would it be handed to the railways
8 to use in any way they wanted provided there was a
9 reduction of all rates?

10 A. No, I think our basic idea here was a
11 reduction in these rates which are presently carrying
12 the burden of the alleged compensatory Crow rates.

13 Q. And, therefore, it would be paid to the
14 carrier to be used by him as he wished?

15 A. Yes.

16
17 CROSS-EXAMINATION BY MR. DICKSON:

18 Q. Mr. Aitken, when the Commission was
19 sitting in Winnipeg, the City of Brandon presented a
20 brief which suggested that there was inequality and
21 unfair treatment of Brandon freightwise when comparing
22 their position to that of Winnipeg. Since coming
23 to Regina the Commission has received a brief from
24 the City of Saskatoon suggesting there might be
25 equalization of rates as between Saskatoon and Regina.
26 What would your view be on the matter of such equaliza-
27 tion in the case of related cities of that sort?

28 A. Well, to my mind, location has an
29 economic value, and I can't quite see the point of
30 mutualizing economic values by grouping of rate



1 structures.

2
3 Q. You would oppose equalization as between
4 Regina and Saskatoon?

5 A. Yes, I would, in principle of economic
6 location.

7 Q. On page 1 of your brief you speak of
8 Mr. Van Horne, the General Manager of the C.P.R., having
9 helped select the site for Regina: where was the C.P.R.
10 at that stage -- had it been built to this present
11 site?

12 A. Yes.

13 Q. So, the railway came first and the develop-
14 ment followed?

15 A. Yes.

16 Q. Was that the pattern followed throughout
17 the other settlements of the Province of Saskatchewan?

18 A. My pioneer days don't go quite that far
19 back, but I would think that is largely it.

20 Q. From your knowledge of the provinces?

21 A. Yes.

22 Q. That the railway line was built and the
23 land opened up and farms started up?

24 A. I understand these locations were estab-
25 lished by the railways themselves for these community
26 service centres.

27 Q. At the bottom of the same page you speak
28 of the present status of the Crow's Nest Pass rates
29 as statutory rates. Will you agree with me it may be
30 more accurate to refer to their present status as being



1 contractual and statutory as relying in part on the
2 Crow's Nest Pass Agreement and in part on the 1925
3 amendment to the Railway Act?

4 A. I am afraid I can't make that distinction.
5 I see them as under the control of Parliament, and that
6 is really what I have in mind.

7 Q. That is what you mean by statutory?

8 A. Yes.

9 Q. You make quite a large point in paragraph
10 7 and again in paragraph 14 as to this matter of using
11 the subsidy, if one is decided upon, for the purpose
12 of reducing other rates, and you state:

13 "If we understand the railways' position
14 correctly they would use a subsidy to make up
15 for the alleged losses on the Crow's Nest Pass
16 rates and thereby take the burden from other
17 traffic. Those creating this traffic would
18 no doubt welcome rate reductions . . .",
19 and so on. Is there anything that you have seen
20 in the material presented to date by the railways
21 which would indicate that that is the use to which the
22 subsidy would be put?

23 A. No, I don't think they have stated anything
24 like that, but as I understand, the whole purpose of
25 the subsidy is to compensate for low rates, and what
26 is going to happen to the money is that -- and the
27 reason for compensating for the low rates is to take
28 the pressure off those other rates which are diverting
29 the traffic to other modes of transport, so, I can't
30



1 see much point in seeking compensation for low rates
2 unless something is going to be done with the other
3 rates involved.

4 Q. The railways have suggested they would
5 like to improve their position in the money market, and
6 that might contemplate using a portion of this subsidy
7 for maintaining present dividend rates or perhaps in-
8 creasing dividend rates. Would you oppose any such
9 use of any part of the subsidy?

10 A. No, I would not, but I think the first
11 consideration would be some relief from these high rates.

12 Q. A portion of the subsidy?

13 A. Yes.

14 Q. In paragraph 10, my learned friend Mr.
15 Cooper referred to your views as expressed in that
16 paragraph, where you speak of scheduled rail service
17 and then say:

18 "We have in mind the movement of people
19 from the rural to the urban areas . . ."

20 What you have in mind in that paragraph, I gather from
21 your answer to Mr. Cooper, is the possible reduction
22 of passenger services?

23 A. Well, not only, but l.c.l. schedule --
24 I have in mind the reduction of all scheduled services
25 where there is no volume of traffic to justify it.

26 Q. Passenger and freight?

27 A. Yes.

28 Q. You are not advocating tearing up and
29 abandoning branch lines which are in use for the movement
30



1 of grain?

2
3 A. No, I am not advocating that.

4 Q. The railways have suggested that any
5 subsidy be linked to the movement of export grain and
6 regarded as a subsidy to the farmers and not the rail-
7 ways: would you agree with that position?

8 A. I would rather not take a position on
9 that. It seems to me it is more a philosophic dis-
10 tinction than a factual one.

11 Q. You don't feel it has a very real sig-
12 nificance?

13 A. No, I don't, unless the money were going
14 to be paid differently, but I visualize this subsidy,
15 if granted, being paid to the railways and not to the
16 farmers, and then, who is to be debited with it, I
17 don't think matters very much.

18 Q. You would not consider it has a bearing
19 on the future amount of the subsidy and the possibility
20 of an increase in rates when the subsidy comes up in
21 debate?

22 A. Oh, yes, no doubt it would have a bearing
23 in future.

24 CROSS-EXAMINATION BY MR. ALLEY:

25 Q. Arising out of that last line, Mr. Aitken,
26 there are, I think, perhaps three types of rates: there
27 is the rate which you might say does not carry its out-
28 of-pocket expenses, and then there is a rate which
29 carries its out-of-pocket expenses and pays a portion
30 of the overhead, and then there are rates which are



1 clearly profitable. Would you accept the position that
2 the subsidy should be applied first to make sure that
3 the non-compensatory rates carry their out-of-pocket
4 expenses?

5 A. I think that would be our position.

6 Q. And, then, secondly, that a rate which
7 does not carry its fair share of the overhead is made
8 to do so?

9 A. I think that is reasonable and logical.

10 Q. Would you look at paragraph 4 on page 2:
11 is that a suggestion of factors which you hope have not
12 been overlooked?

13 A. Yes.

14 Q. That is not a declaration of policy by
15 your Chamber?

16 A. That is what was said originally. I
17 think it represents factors which we hope have been
18 adequately recognized in the cost study.

19 Q. But I want to be clear that is not a
20 statement of the Chamber's policy?

21 A. Looking it over again, I think the intent
22 was we just raise the question: Have these factors
23 been adequately recognized and due weight be given to
24 them in the cost analysis?

25
26 CROSS-EXAMINATION BY MR. McDONALD:

27 Q. Mr. Aitken, I just have a couple of
28 questions. On page 4, paragraph 10, where you are
29 speaking of alternate services, would you agree with me
30 that where the railway has lost the traffic to other



1 services in an area, and the service they are operating
2 no longer pays for itself, that they should not be
3 required to furnish a highway service when they have
4 already lost it to such service?

5 A. The only problem we see in cases like
6 that is the carload movement of grain from those areas.
7 There may not be any other traffic, but the storage
8 facilities are there, and they have become pretty
9 well permanently fixed and they are hard to move to
10 another line.

11 Q. You are speaking of the abandonment of
12 the whole line?

13 A. Yes.

14 Q. What I was really directing my questioning
15 to was, the taking off of some services -- say, a
16 passenger service or an express service, and the line
17 is still there for heavy traffic: are you suggesting the
18 railways should provide another passenger service or
19 express service?

20 A. If there is already a service there?

21 Q. Yes, when they have lost that business to
22 other means of transportation?

23 A. I think the question should be left to
24 the railways as to whether there is enough there that
25 they want to preserve. If there is not, I think it is
26 up to them to abandon.

27
28 CROSS-EXAMINATION BY MR. SINCLAIR:

29 Q. Mr. Aitken, on page 2, paragraph 5, you
30 state that even if the Crow's Nest rates constitute as



1 great a problem as the railways claim them to be, surely
2 they cannot be the only problem facing the railways.
3 Now, the evidence of Canadian Pacific, as presented to
4 this Commission during its hearings in Ottawa prior to
5 coming west, made it clear that the Crow's Nest rates
6 problem was the major one facing the railways. My
7 question to you, Mr. Aitken, is: as a business man,
8 would you agree that if the selling price of over 40
9 per cent of your business in Western Canada was fixed
10 and could not be changed no matter what happened to
11 your costs, that something should be done about that?
12

13 A. Well, I am really not qualified to state
14 at what percentage the drastic measures are required
15 when you have a losing department, as it were.

16 Q. Well, if it was 40 per cent of your total
17 business?

18 A. Well, it sounds like that is a pretty
19 big percentage, but when you reach this degree of
20 last resort, I don't know.

21 Q. What I am saying to you is, you agree
22 that something should be done about bringing that depart-
23 ment that has got 40 per cent of your business into
24 relation with the costs of doing that business?

25 A. Well, you could say it is a matter of
26 private policy if you had complete control of what you
27 did. You still are compensating for those losses in
28 some way. You are paying for those losses out of other
29 freight services; therefore, it is a decision as to
30 whether to continue subsidizing, if I can use that term,



1 by other rail services or not.

2 Q. Now, that is my point: if you were not,
3 because of the myriad of circumstances, able to operate
4 your business on a financially sound basis by using
5 the 40 per cent of your business as loss leaders to
6 bring in high rates and high charges on the other 60
7 per cent, if you were unable to do that, and yet you
8 were required to stay in business, then what would you
9 do?
10

11 A. Well, as we say in the brief here, if
12 that were the case, and that is the last resort, we
13 would justify subsidies. We are not at this stage, of
14 course, in a position to say when you have reached the
15 last resort. That is up to you to persuade the Com-
16 mission.

17 Q. In justice, fairness, you would agree
18 that if you are required in the national interest to
19 carry 40 per cent of your business you should not be
20 required to carry it at a loss -- you would agree with
21 that?

22 A. Well, there are other factors to be taken
23 into consideration.

24 Q. I am asking you that as a basic principle?

25 A. As a basic principle, yes, I would agree
26 with that.

27 Q. You see, Mr. Aitken, at the bottom of
28 page 2 you say:

29 "However, the fact that they (the railways)
30 may operate some services at a loss is not in



1 itself justification for the relief which the
2 railways request in connection with the Crow's
3 Nest Pass rates."

4 Now, I presume one of the matters you had in mind there
5 was passenger train losses, was it?

6 A. Yes.

7 Q. Did you know that the railways had not
8 charged any part of the passenger train deficit against
9 the grain cost that they presented to this Commission?

10 A. No, I didn't know that -- you mean charged
11 the passenger against the grain costs?

12 Q. Yes -- you didn't know that?

13 A. No. I don't see how you could charge
14 them against the grain losses.

15 Q. I said the grain "costs".

16 A. Oh, the grain costs.

17 Q. You now understand what I mean?

18 A. Yes, I understand what you mean. I
19 said I didn't know that: I read your analysis, and I
20 think I did know it, but I hadn't thought about it, par-
21 ticularly, to answer any questions.

22 Q. Well, in view of that, now that we have
23 set aside passenger, would you please inform the Com-
24 mission what you had in mind concerning the services
25 that you are referring to at the bottom of page 2 in your
26 submission?

27 A. We were not in a position to tell exactly
28 what other services the railways might be conducting at
29 a loss.
30



1 Q. You have nothing ---

2 A. What about your competitive rates? Are
3 they, any of them, being conducted at a loss?

4 Q. Did you know, Mr. Aitken, that by law
5 the railways were required to have their competitive
6 rates at a compensatory level, and that if they had com-
7 petitive rates in that did not do so, that those rates,
8 by law, have to come out? Did you know that?

9 A. I believe that is the principle of
10 rate making -- that it should be compensatory.

11 Q. That is the law of applicable competitive
12 rates. Did you know that?

13 A. I am not sure that I could answer that.
14 I am not certain.

15 Q. So, now, we have got rid of passenger,
16 competitive rates; have you got any other in mind?

17 A. Well, I think it is up to the railways
18 to demonstrate to us that they have no other losses
19 that are being made up from other rates.

20 Q. Don't you think that the railways live
21 as good citizens within the law as far as they are able
22 to do so?

23 A. Oh, I agree with that, yes.

24 Q. On page 4, Mr. Aitken, you state your
25 organization is of the view that the railways do not
26 have enough freedom in determining how best to adjust
27 to changing economic and social conditions. And my
28 friends, a number of them, have asked you questions
29 about that.
30



1 As you know, Canadian Pacific from time to
2 time has applied to the provincial regulatory authority
3 in Saskatchewan for trucking licences in various parts
4 of the province. Did you know of that?

5 A. Yes.

6 Q. And is it the view of your Chamber that
7 the right of Canadian Pacific to operate trucks is a
8 right that should be preserved, as it enables them to
9 provide better and cheaper service?

10 A. Well, we advocate that very thing.

11 Q. Now, your basic position -- you would
12 agree with it being stated this way, would you? -- that
13 the railways should be given all rights and freedom to
14 reduce cost and provide efficient service at reasonable
15 rates?

16 A. I think that is a broad statement in
17 which we could concur.

18 Q. Now, let me take passenger train service
19 for a moment, Mr. Aitken.

20 Would you agree that if the railways were
21 losing money on the passenger train run and they showed
22 that in the figures filed with the Board of Transport
23 Commissioners, that any person opposing the applica-
24 tion of the railways to abandon that passenger train
25 run should have a statutory onus on them of proving
26 that the run should be continued?

27 A. A statutory onus on them?

28 Q. Yes. That the burden of proving that
29 the run should be continued would be upon the person
30



1 opposing the removal of the service?

2 A. I am not just sure whether you are getting
3 me to say things here that I do not concur in entirely.

4 Q. You do not understand what that means?

5 A. I think I know what you mean. I am
6 not sure how far I am committing myself, because I still
7 see where there could be not enough passenger service
8 to make a run economical, but you might substitute,
9 and put in a bus to serve an area, and we would like
10 to suggest that should be done.

11 Q. Let me put this example to you. I can
12 see where your difficulty is. Say that aeroplane, bus
13 or private automobile -- that is, if there were roads
14 available -- were all in the area; these modes of
15 transportation, either one, or two, or three of them
16 were available in the area?

17 A. Yes.

18 Q. Under those circumstances, if the passenger
19 train run was losing money and the railways showed that
20 to the Board of Transport Commissioners, then, under
21 those circumstances would you agree that the burden of
22 proving that the run should be continued should be
23 upon any person opposing the application by statute?

24 A. If there was alternate adequate service,
25 I would agree with that, yes.

26 Q. And to show that it was inadequate
27 would be the job of the person who was opposing?

28 A. Yes.

29 Q. Now, your basic position is that subsidies
30



1 should only be used as a last resort and after there
2 was a clearly demonstrated need for such subsidies
3 in the national interest?

4 A. Yes.

5 Q. Now, you would agree, would you, that
6 federal subsidies should not be applied where the only
7 thing involved was a local interest? For instance,
8 commuter train runs -- if there was to be a subsidy
9 on commuter train runs, you do not think that should
10 be applied on the national treasury; do you?

11 A. Well, no, in this specific instance, no.
12 I didn't know just what you meant by local interest
13 there.

14 Q. Well, it would be some interest that was
15 not clearly demonstrated to be beneficial to all
16 Canadians, and in which all Canadians had a stake.
17 The national interest, I would define, would be an
18 interest where all Canadians generally -- the country
19 as a whole -- had an interest in it, and local interest
20 would be where it would be confined to an area of people
21 having an interest. Do you understand that?

22 A. Yes.

23 Q. Now, would you consider that in those
24 circumstances, and having in mind the definition we
25 have just discussed, that passenger train service, in
26 the light of existing road systems, aeroplanes and the
27 number of private cars, could be said to be in any
28 respect a national interest, properly?

29 A. Well, it would be a little more than I
30



1 would like to undertake to define the national interest
2 in all these cases.

3 Q. But thinking of this specific passenger
4 train service?

5 A. Are you thinking about a local passenger
6 train service -- could I conceive it being in the
7 national interest, or otherwise?

8 Q. Yes.

9 A. Well, it hardly seems logical or reason-
10 able if it is local enough -- I don't know when you get
11 out of the locality into the national.

12 Q. If it is local enough, it is hard to
13 be able to see it in the national interest. Is that
14 your answer?

15 A. I would think so, yes.

16 Q. Now, Mr. Aitken, the Board of Transport
17 Commissioners, after full investigation, fixed as just
18 and reasonable the rate level for cordwood; ten per cent
19 of Class 100. Now, in view of your interest in freight
20 rates, would you think that another commodity that was
21 higher in value than cordwood should have a rate level
22 less than ten per cent?

23 A. Oh, I'm afraid I couldn't answer that
24 question.

25 Q. Have you ever considered matters like
26 that?

27 A. No.

28 Q. Certainly, if one was, say, four or
29 five times in value the other commodity, and let's say
30



1 they loaded in approximately the same way, you would
2 think the one that had the higher value should take
3 the higher rates?

4 THE CHAIRMAN: That is just coal, I suppose?

5 MR. SINCLAIR: No, no. I knew that somebody
6 might jump to that conclusion. No, no. It might
7 apply to something else, though.

8 THE CHAIRMAN: Very well.

9 MR. DOHERTY: Mr. Chairman, I think Mr.
10 Aitken is trying to be as helpful as he can, and I
11 think he has done exceedingly well. I do not think
12 he comes as a rate expert. I think the proof of
13 rate making is something that he has not had a chance
14 to study.

15 MR. SINCLAIR: Very well, there is a rate
16 expert coming up on the next brief.

17 Q. Now, Mr. Aitken, you mentioned that the
18 payment of a subsidy for the difference between the
19 statutory grain level and the just and reasonable level
20 might cause and indeed start, as your words are on page
21 5, a new round of wage demands.

22 Mr. Aitken, in so far as the railway industry
23 is concerned, you know, do you not, that they are now
24 engaged in major negotiations concerning a demand for
25 wage increase?

26 A. Yes.

27 Q. Do you know that basic to the fixing
28 of wage rate levels on the railways the unions have taken
29 the position that they are not concerned with the ability
30



1 to pay; that they are concerned with a just and applicable
2 wage level, and that ability to pay is a plus factor
3 over the basic criterion of fixing railway wages in
4 relation to the community as a whole? Do you know that
5 is the area in which wage rates are handled by the
6 unions of railway industry?
7

8 A. You ask me do I know that the railways
9 take the position that it is a problem of management
10 and not theirs?

11 Q. Yes.

12 A. I can answer that Yes. I know that.

13 Q. So then, why would you think, or your
14 Chamber think, that the mere fact that people were to
15 be paid with respect to one segment of traffic a just
16 and reasonable level would affect, indeed start, a
17 new round of wage demands?

18 THE CHAIRMAN: Well, I don't think that will
19 get us any place, Mr. Sinclair.

20 MR. SINCLAIR: If the Commission so rules
21 that the question is improper.

22 Q. Now, my friend Mr. Dickson referred you
23 to page 1. The Chamber favours the retention of
24 Crow's Nest Pass rates at their present level and in
25 their present status as statutory rates. Mr. Dickson
26 asked you what you meant by that, and I think you said
27 that what you had in mind was that they be kept under
28 the control of Parliament.

29 Now, Mr. Aitken, when you gave that answer
30 would you have had in mind -- is this a way of expressing



1 it -- that these grain rates would be under the control
2 of Parliament and based on what Parliament believes,
3 in its wisdom, the level and application of the rates
4 should be, other than relying on any agreement that
5 the railway has to determine the level and application?
6

7 THE CHAIRMAN: Well, I don't think that we
8 can very well get very far by asking what Parliament
9 meant. That is the law.

10 MR. SINCLAIR: I never asked that question,
11 with respect, Mr. Chairman. I never asked that question,
12 with respect.

13 THE CHAIRMAN: Well, that is as I understood
14 it.

15 THE WITNESS: I wonder, Mr. Sinclair, if you
16 would just restate that. I find a little difficulty
17 in following that, myself.

18 MR. SINCLAIR: Q. My question to you, Mr.
19 Aitken, was this: in view of the statement of the
20 Chamber at the bottom of page 1 -- in your view, and
21 in view of your answer to my friend Mr. Dickson -- you
22 know Mr. Dickson; do you remember his question?

23 A. Yes.

24 Q. And your answer; you remember that?

25 A. Yes.

26 Q. My question, then, was this: would it
27 be right to say that what you had in mind when you gave
28 that answer to Mr. Dickson that it was the view of the
29 Chamber that the rates should remain under the control
30 of Parliament, was this: that the rates should remain



1 under the control of Parliament so that Parliament would
2 fix the level of the rates and their application,
3 rather than relying on any agreement with the railways
4 to fix the level and the application of grain rates in
5 Western Canada?
6

7 A. If I understand your question correctly,
8 my answer is Yes.

9 Q. A number of questions were asked you,
10 Mr. Aitken, concerning your statement in paragraph 14
11 concerning any moneys paid arising from the level under
12 the statute of the grain rates.

13 You have answered a number of these, and I am
14 not going over the same ground with you. I want to
15 ask you this additional question. Would this Chamber
16 believe that what would happen with the disposition of
17 any moneys at the time should be in light of the
18 financial condition of the railways who were to receive
19 the money, and what they were making out of the traffic
20 they were carrying?

21 A. I cannot deviate very much from what we
22 say here, when I say the first consideration is -- and
23 the fact is, I believe, it goes further than that --
24 should be to reducing these other rates.

25 Q. And if the railways -- what you are saying
26 is that they should be looked at? You should take a
27 look at the high rates first?

28 A. We really ask that the railways give a
29 commitment that there will be some reduction.

30 Q. But if the railways at that time are in



1 such a position that they would have to raise lower rates --
2 the lower-rated levels--to continue, do you not think
3 that everything should be taken a look at at the same
4 time -- the high rates, the low rates, and the money
5 that was to compensate for continuing to carry grain
6 at the statutory level? Shouldn't it all be looked
7 at at once?
8

9 A. I think we would agree that is reasonable,
10 but it seems to us that the big problem of the railways
11 is to meet competition, and that the need for compen-
12 sation for these alleged low rates is to meet competition.
13 How are you going to do it if you do not apply it on
14 your high rate structure?

15 Q. But you should look at all these matters
16 at the same time?

17 A. Well, I think that would be agreeable.

18 MR. SINCLAIR: Thank you, Mr. Aitken.

19 THE CHAIRMAN: Thank you, Mr. Aitken.

20 CROSS-EXAMINATION BY MR. MAURO:

21 Q. Mr. Aitken, I only have one or two ques-
22 tions because I think it would be of some service to the
23 Commission if we could get your opinions as the president
24 of a group representing business men in this area.

25 Now, I think you would agree, Mr. Aitken,
26 that in the business world generally certain items are
27 sold at differing margins of profit?

28 A. Certainly.
29
30



1 Q. And, for instance, in a sale a business
2 might put up an item at a very narrow margin of profit
3 in order to generate other business; is that correct?

4 A. That is correct.

5 Q. And that in assessing the value or the
6 cost of the item which we are selling at the narrow
7 margin of profit, it would be important to look at not
8 only what you receive from that item but what other
9 business is generated; is that correct?

10 A. That is correct.

11 Q. Whereas my learned friend mentioned a
12 figure of 40 per cent on a particular business, and you
13 properly answered that that was a substantial amount.
14 If I said to you that a certain portion of the business
15 represented 26 per cent of your total business, you
16 might say that that is a considerably lesser amount;
17 is that correct?

18 A. That is correct.

19 Q. And, sir, the Regina Chamber of Commerce,
20 I suggest, when they are faced with a railway company
21 approaching the federal treasury to be compensated for
22 what they allege are losses, the Regina Chamber of
23 Commerce has felt that the losses from passenger service
24 are the same as losses from carrying grain in so far as
25 the federal treasury is concerned and the taxpayer is
26 concerned; is that right?

27 A. I think that would be right.

28 Q. Would that be a fair assumption on what
29 you are saying in your brief when you said we should look
30



1 at other matters which are problems for the railways?

2 A. Yes, we ask that that be done.

3 Q. The Regina Chamber of Commerce is saying
4 that before the federal treasury starts paying out the
5 taxpayers' moneys on one segment of the freight rate
6 structure, we should have a look and see what the rail-
7 ways are losing on passenger service and branch lines
8 and commuter service; is that correct?

9 A. Yes.

10 Q. Because the Regina Chamber of Commerce
11 is the same as the Winnipeg Chamber of Commerce in the
12 Province of Manitoba, they are interested in the whole
13 freight rate structure because, whether or not the
14 passenger losses are there, you and I know the passenger
15 losses are on our freight bill; isn't that correct?

16 A. We assume that is the case.

17 Q. There is only one way the railways can
18 make their money, they make it out of the revenue-
19 bearing freight; is that correct?

20 A. Yes.

21 Q. And one final question, sir; as a
22 business man you would expect a particular traffic or
23 a particular part of your business which, as I men-
24 tioned before, was generating other business to carry
25 the fully distributed costs, costs to overhead,
26 costs for the operation of your business, but it
27 might bear something less than that and still be a
28 good bit of business for you?

29 A. We maintain that is common practice, yes.
30



1 MR. MAURO: Thank you.

2
3 BY COMMISSIONER GOBEIL:

4 Q. I have only one question, Mr. Aitken.
5 On page 3 at paragraph 7 you mention if it can be shown
6 the Crow's Nest Pass Rates has been an impediment to
7 traffic, you believe that the burden which has been the
8 result of that is borne mainly by the West, and especial-
9 ly the prairie west. Now, would you speak on this?
10 What is the basis of that statement, what burden is
11 borne mainly by the West?

12 A. Mr. Gobeil, it is based on the under-
13 standing that because of our long distances from source
14 of supply and their depending upon transportation, that
15 by horizontal increased freight rates and percentage
16 increases on the long haul, it is bound to be higher,
17 and therefore in these horizontal increases we must be
18 standing a greater portion of the increase.

19 Q. You mean, in other words, that you believe
20 that the West, and especially the prairies, are the ones
21 who are paying for the low grain rates?

22 A. Yes, in the main, as we understand the
23 figure of whatever losses there may be.

24 COMMISSIONER GOBEIL: Thank you.

25
26 BY COMMISSIONER ANSCOMB:

27 Q. Your clause 14 is causing me a good deal
28 of concern, and even with the discussion that has gone on
29 this morning it is still confusing.

30 However, will you just strip the whole bag of



1 tricks clean and tell me how you can take the position
2 that you want a reduction in rates on other commodities
3 equal to or at least some part of the subsidies, and
4 if such are given on grain or anything else, and you
5 expressed it just now when you said that you are paying
6 the losses out of other revenue, speaking of the rail-
7 ways, and as I say, let us strip the whole bag of
8 tricks; you have one railway which tells us it is
9 losing \$50 million a year, and let us assume that to-
10 morrow morning it was given a subsidy of \$20 million
11 from somewhere -- of course, there is only one place
12 it could come from, out of the taxpayers' pockets any-
13 way -- and what good does it do if that \$20 million
14 that will be given by them to some other shippers, and
15 if that is going to be the case, I will ask you what
16 is all the fuss about?
17

18 A. I thought the railways were trying to
19 improve their competitive position.

20 Q. I think they are trying to improve their
21 financial position as well.

22 A. Well, I agree with that.

23 Q. If that is so, what would your clause 14
24 do to them?

25 A. Well, I am assuming if there is anything
26 to their argument that they could become competitive and
27 get some more business that they have lost at the pre-
28 sent time. I think that is the whole point. If there
29 is anything to their argument that they need money for
30 the losses alleged on these rates because of the pressure



1 of these other rates, that something has to be done to
2 have new revenue without new found money. As I have
3 understood the railways' position -- I may have mis-
4 understood it -- I didn't think it was merely to in-
5 crease their rate of return from $4\frac{1}{2}$ per cent to $6\frac{1}{2}$.
6

7 Q. But your National Railway hasn't got
8 any rate of return, it is losing \$50 million a year,
9 so that is what I am asking.

10 A. I must confess that most of my thinking
11 has been done in terms of the Canadian Pacific Railway.

12 Q. I think that it is pretty near time you
13 thought of somebody else besides the Canadian Pacific
14 Railway; they are both national lines.

15 A. I agree with that.

16 BY COMMISSIONER MANN:

17 Q. In paragraph 12 you say in the last
18 sentence, "The Chamber believes the competition between
19 the two systems is healthy and desirable." Now, you
20 and I know there is very little rate competition between
21 the two railways. Would you explain your statement to
22 include rate competition between the Canadian National
23 and the Canadian Pacific, and would you contemplate
24 that when you say "competition" or are you simply
25 talking in terms of service competition?

26 A. Well, I think, Mr. Mann, we were thinking
27 in terms of service. I can't say just what my colleagues
28 would say to your other question. I didn't say that
29 there shouldn't be some rate competition.
30

Q. Now, on another matter, and this is



1 something, Mr. Aitken, on which I don't expect you to
2 be able to give me an answer now, but you will notice
3 in paragraph 15 you have an example of a combination rate.
4

5 A. Yes.

6 Q. I wonder whether you would be good enough
7 to ask your traffic committee to let our traffic ad-
8 visers have the carload minimums that underlay this
9 calculation?

10 A. Yes. I have a number of other examples.

11 Q. What I think we should have is the car-
12 load minimum freight origin to Winnipeg, and the rebuilt
13 carload from Winnipeg to Regina.

14 A. Yes, I think I have that.

15 Q. Well, there is no rush on this, but if you
16 would be good enough to let our traffic adviser have this.

17 One more question: when you had your discussion
18 with Mr. Cooper you used the sentence -- Mr. Cooper, I
19 think, was discussing the matter of rates as between
20 Regina and Saskatoon with you -- you used the sentence,
21 "That location has a value, an economic value". Now,
22 you know the rates from Montreal to Regina are the same
23 as the rates from Toronto to Regina because of a large
24 grouping in Ontario and Quebec?

25 A. Yes.

26 Q. And you would think that if you put this
27 maxim into practice that the rates from Montreal to
28 Regina should be higher than from Toronto to Regina?

29 A. Yes.

30 COMMISSIONER MANN: Thank you very much.



1 THE CHAIRMAN: Thank you, Mr. Aitken.

2 MR. SINCLAIR: I would like to ask one ques-
3 tion arising out of what has just been said.

4 THE CHAIRMAN: Providing we don't start a
5 whole series.

6 MR. SINCLAIR: I would like to ask this and
7 I think this would be of some assistance to the Commis-
8 sion, if Mr. Aitken had in mind when he said that there
9 should be the same principles applied in regard to
10 grouping in the east and in the west, when you were
11 setting up a group -- this is the only question -- would
12 it be your position that the rate should reflect the
13 size of the group?

14 THE WITNESS: The size of the group?

15 MR. SINCLAIR: If there was going to be one
16 rate that the rate should reflect the size of the group?

17 MR. DOHERTY: What do you mean, the area,
18 the city?

19 THE CHAIRMAN: The traffic.

20 MR. SINCLAIR: The size of the group is my
21 question; if you think it should reflect the area of
22 the group?

23 THE WITNESS: You mean a sort of an averaging
24 of the rates at the various points?

25 MR. SINCLAIR: Yes.

26 THE WITNESS: Well, as I say, I am not too
27 fond of the idea of grouping at all; I believe in pre-
28 serving the economic advantages in location, but it would
29 seem like a reasonable thing to do.
30



1 MR. SINCLAIR: If there is to be grouping,
2 it should reflect an averaging of the rates within them?
3

4 THE WITNESS: If I were on this side of the
5 group I would prefer the rate to the closest point to
6 Regina.

7 MR. SINCLAIR: That wouldn't be fair, would
8 it?

9 THE WITNESS: It is a very theoretical ques-
10 tion, so perhaps I am trying to be facetious.

11 MR. SINCLAIR: I am not trying to be face-
12 tious; I am saying that that wouldn't be fair.

13 THE WITNESS: I don't know whether the term
14 "fair" is applicable in a case like this or not. Why
15 should it be -- it could be the further point or the
16 nearest point.

17 MR. SINCLAIR: I am asking if you are going
18 to have it; I am not advocating it or suggesting it
19 should be advocated, but if you are going to have a
20 group you should, I think you will agree, average the
21 rates within the group?

22 THE WITNESS: That seems the logical thing.
23 I don't know what principles are used in determining
24 these groupings.

25 THE CHAIRMAN: We will have a five-minute
26 recess now.

27 ---Short recess.

28
29 THE CHAIRMAN: Order, gentlemen, please.
30 Mr. Blair, I wonder if it would be possible for the



1 Farmers Union to come before your brief.

2 MR. BLAIR: We are in the hands of the Com-
3 mission, sir. However, we would like to put our brief
4 in as early as possible in view of the Commission's
5 other commitments, but if there are others ---

6 THE CHAIRMAN: We are up against a time factor,
7 and we are very anxious to have the evidence all in
8 that may be offered, and at the same time we are anxious
9 that counsel shall have the opportunity of cross-
10 examining, but we would ask that counsel restrict
11 their cross-examination as much as possible and cover
12 only those things that are vital.

13 Now, with your brief the question was raised
14 that there is another royal commission on coal, as
15 you know, and we feel that the matter should be dealt
16 with entirely by the other Commission and we shouldn't
17 transgress on it, and we so advised Mr. Justice Rand.
18 However, we have a letter from him in which he wants
19 us to consider the question of freight rates, so that
20 we must hear you people so that the two commissions
21 will have to collaborate on this question of coal.

22 MR. BLAIR: Mr. Chairman, my suggestion might
23 be this, that we have filed the brief, and with the
24 permission of the Commission we would like to have the
25 brief taken as read and I do propose to put one witness
26 on the stand in order to comment on the various aspects
27 of the brief.

28 THE CHAIRMAN: Well, that will be very short,
29 then. We will go on to yours now on the assumption
30



1 that it will be short.

2 MR. BLAIR: I think it will depend upon the
3 length of the cross-examination.
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1 Mr. Chairman, my name is D. G. Blair, and
2
3 I appear on behalf of Great West Coal Company and the
4 Manitoba and Saskatchewan Coal Company. These two
5 companies are the principal commercial operators in the
6 Estevan coal field and they account for 95 per cent of
7 the coal produced commercially in that field. We have
8 filed with the Commission a brief prepared on behalf of
9 these two companies, and we ask your permission to have
10 the brief taken as read.

11 THE CHAIRMAN: That is readily agreed to.

12 MR. BLAIR: We have with us here to speak in
13 support of the brief Mr. J. Malcolm Brodie, the managing
14 director of the Great West Coal Company at Brandon.
15 Associated with him in the presentation is Mr. Crawford
16 M. Thomson of Winnipeg, the vice-president and managing
17 director of the Manitoba and Saskatchewan Coal Company,
18 Limited; and Mr. R. L. Wood, the manager of the Old
19 Mac Coal Company Limited in that area.

20 We appreciate this opportunity to make this
21 submission to the Commission. As you have pointed out
22 we have made an appearance before the Royal Commission
23 investigating coal, but the submissions we are making
24 here are related to problems of transportation more than
25 the problems of coal.

26 Before calling my witness, I would like to
27 emphasize that we are not making this submission in
28 any spirit of antagonism or contention against the rail-
29 ways or against the producers of other forms of fuel or
30 energy, but we are making them in the hope that we can



1 propose a constructive solution to the hitherto diffi-
2 cult if not insoluble problems, and I may say, Mr.
3 Chairman, and not altogether facetiously, that I felt
4 rather hopeful listening to my friend Mr. Sinclair
5 cross-examining Mr. Aitken: it appeared to me that at
6 long last there was some recognition that low value
7 commodities must of necessity receive some special
8 consideration for the making of rates.
9

10
11 J. MALCOLM BRODIE, called

12 MR. BLAIR: Mr. Chairman, Mr. John Malcolm
13 Brodie was born in Brandon and educated in Winnipeg
14 and at Queens University and at the University of
15 Manitoba. He served as an officer during the war in
16 the Royal Canadian Navy. He joined the Great West
17 Coal Company in 1945. Between 1950 and 1955 he was
18 sales manager of the company, and since 1955 he has
19 been managing director.
20

21 DIRECT EXAMINATION BY MR. BLAIR:

22 Q. Mr. Brodie, would you kindly turn to
23 page 1 of the submission and would you direct your
24 attention to paragraph 1 entitled "Introduction", and
25 would you kindly expand on the matters which are refer-
26 red to therein?

27 A. Mr. Chairman, gentlemen, you will note
28 that the yearly production figures are included there
29 for 1951 to 1958, and while they have been fairly
30 constant during that period, I would like to say that



1 in the last eighteen months the industry has ex-
2 perience a very severe loss in tonnage. We have lost
3 to the pulp and paper industry 250,000 actual tons.
4 I would like to enlighten you on that: that 250,000
5 tons actually should be more because since losing it
6 these plants have increased their steam requirements,
7 and it would now be more correct to say that that figure
8 should be 300,000 tons. Of course, again, these pro-
9 duction figures include local sales of coal to the
10 Saskatchewan Power Corporation. In the last year they
11 are using their own coal; we are no longer producing
12 it, and it very definitely has a bearing on our economics
13 as far as production costs go. Further to that, we
14 have lost another 250,000 from competition from other
15 fuels such as gas and oil in the urban and rural
16 centres and, of course, weather this year is a factor.
17 However, I would say quite conservatively that our
18 total rail tonnage -- and I am speaking of our fiscal
19 year which is the 31st of March -- for this year would
20 be in the neighbourhood of 1,450,000 rather than
21 2,250,000 tons. In other words, within the last year
22 the industry has lost some, say, 850,000 tons of busi-
23 ness.
24

25 Q. Mr. Brodie, directing your attention to
26 the second paragraph of the brief entitled "Modern
27 Production Technique and Capital Investment", would
28 you care to make some comments thereon?

29 A. Mr. Chairman and gentlemen, we have
30 endeavoured to keep ourselves as up-to-date and as



1 modern as we possibly can be. I think our statements
2 prove that. You will notice in the last nine years,
3 for the combination of the two companies, we have
4 spent approximately \$5 million. At the present time
5 one company is in the process of spending another
6 \$2 million in the immediate future.

7 Q. Is that your company?

8 A. That is our company.-- fortunately,
9 through the cooperation of the railroads; they are par-
10 ticipating in helping us in there-establishment to even
11 become more modern than we are now in order to compete
12 against the other fuels. The railways have been very
13 decent and very kind and, in fact, they are jointly
14 putting in the yards and marshalling facilities for
15 this new plant at considerable expense to themselves.

16 Q. Perhaps you can tell the Commission why
17 it was necessary to construct a new plant and open a
18 new mine at this time?

19 A. The reasons are twofold: one, we had a
20 disastrous fire at one plant, which is not here any
21 longer; and, secondly, the one mine that was remaining,
22 the coal reserves had been exhausted.

23 Q. Turning to page 2 there is a table having
24 to do with coal production in Canada, and some comments
25 following?

26 A. I think Table 2 speaks for itself. I
27 might point out that in the Winnipeg Free Press a few
28 weeks ago we noticed the lignite coal sold for \$2 a
29 ton, and that is the average selling price at the
30



1 present time.

2 Q. Would you please comment upon the
3 transportation costs of the coal which are dealt with
4 in the third paragraph?

5 A. Well, that is quite significant. Ob-
6 viously, the transportation costs far exceed the f.o.b.
7 price mine. I don't think I need elaborate on that.

8 Q. I would like you to direct your attention
9 to page 3 in the paragraph which deals with your present
10 competition from natural gas, and also to the table
11 which appears at the end of the brief relating to
12 loss of business in the postwar years?

13 A. Well, this loss to gas and the paper
14 industry, probably, on this year's tonnage, would
15 amount to 15 per cent of the total production in that
16 field.

17 Q. What does that table at the end of the
18 brief represent? Does that represent losses to oil and
19 gas, or just oil, in the postwar years?

20 A. No, that is both oil and gas.

21 Q. How did you make up for the losses,
22 which are very substantial, which are described in
23 detail in the brief?

24 A. We made up those losses in the interim
25 from the pulp and paper industry which, as I say, we
26 just lost in the last year again.

27 Q. I direct your attention to page 4 of
28 the brief which refers to the effect of postwar freight
29 rate increases and I show you an exhibit which I would
30



1 like you to describe to the Commission.

2
3 MR. SINCLAIR: Mr. Chairman, my friend was
4 good enough to give me certain exhibits yesterday, and
5 I informed him that if he introduced them or entered
6 them that I would have to object to them being re-
7 ceived for a number of reasons, and I take it this is
8 not one of them.

9 MR. BLAIR: No, this is not one of them.

10 ---EXHIBIT NO. 102: Document entitled "Effect of
11 Flat Cents per Ton Increase:
12 Comparison of Rates."

13 MR. BLAIR: Q. Looking at this exhibit,
14 could you describe what it is intended to show to the
15 Commission?

16 A. It is obvious in the last instance
17 there that the percentage increase on lignite has been
18 far in excess of other solid fuels such as Drumheller
19 or Michele.

20 Q. What is the reason for that very large
21 percentage increase on lignite coal as compared to the
22 increase on other coals?

23 A. The reason is the flat cents per ton
24 increase which we have had to accept.

25 MR. BLAIR: Mr. Chairman, I was asked by my
26 friend Mr. Sinclair to put in a certain exhibit, and I
27 am glad to comply with his request. He wished the
28 latest financial statement of the Great West Coal
29 Company to be filed.

30 THE CHAIRMAN: You are filing that?



1
2 MR. BLAIR: Yes. sir.

3 ---EXHIBIT NO. 103: Annual Report for the year ending
4 March 31st, 1959, of the Great
5 West Coal Company Limited.

6 MR. SINCLAIR: What I asked my friend to do
7 was -- and I thought it would be of tremendous interest
8 to this Commission to know how successful this company
9 has been under the management of Mr. Brodie -- to
10 give us the return on net worth for a number of years.

11 MR. BLAIR: Well, my friend, of course, is
12 talking before the witness has had a chance to speak.
13 This is exactly what we intended to put in.

14 Q. Mr. Brodie, you are familiar with this
15 exhibit and with your financial statement, and could
16 you in broad terms tell the Commission what this exhibit
17 shows in regard to your financial return in the last two
18 years?

19 A. Well, yes, sir; we have been very success-
20 ful and we are very proud of the fact we have been
21 successful. We are in business to make money, and we
22 have made money. Our returns, as Mr. Sinclair asked,
23 have been in the neighbourhood of anywhere from eight
24 to thirteen per cent. I think the fact is very sig-
25 nificant that our company alone spent nearly \$2 million
26 on one machine. We have not disturbed the price of
27 our product since 1948 into the industrial market in
28 Ontario. We have been able through this to provide
29 the railroads with over \$6 million worth of revenue
30 a year. I think that is about the picture.



1 Q. Speaking as a business man, do you
2 anticipate that the losses in tonnage which you have
3 experienced this year will have any effect upon your
4 profit picture?

5 A. Very definitely, and it is obvious that
6 we are a volume business. It is a low cost product
7 and we must have volume. The top 20 per cent is where
8 we make our money, and if we lose that, then, we are
9 in trouble.

10 Q. Mr. Brodie, I direct your attention to
11 that part of the brief commencing at page 5 which deals
12 with your experience in various freight rate cases?

13 A. Mr. Chairman and gentlemen, we have
14 appeared many times before the Board of Transport Com-
15 missioners, and in most instances they have said that
16 the Board was not able to deal with our problems; they
17 were our own, and we had to face up to it, and that they
18 were not an economic planning board, and, as a result,
19 regardless of what case we put before them, in the end
20 we received nothing.

21 Q. Directing your attention to page 7,
22 Mr. Brodie, will you please read the second and third
23 sentences?

24 A. Well, this is the Board's Judgment:

25 "It should be noted that the wording of the
26 Board's Judgment of December 1957 clearly indi-
27 cates that it is not competent to take into
28 account those factors which are most important
29 in deciding the industry's future. The Board
30



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Brodie, dir
(Blair)

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1 specifically stated that it is not empowered
2 to give consideration to the threat of com-
3 petition from other fuels which the lignite
4 industry is experiencing."
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2 Q. Now, Mr. Blair, I direct your attention
3 to page 8, and to that section of the brief which is
4 entitled: "Lack of Incentive for Quick Negotiation of
5 Special Rates."

6 A. Well, sir, this is a very unfortunate
7 situation, and possibly it has been a combination of
8 each -- the railways' fault, and our fault, or one or
9 the other. But, regardless of whose fault it is,
10 nevertheless this has happened in each instance where
11 an agreed charge has been applied. It has been too
12 late; the horse is gone and the door is locked, kind
13 of business.

14 We experienced this at Neepawa, a revenue of
15 some forty or fifty odd thousand dollars to the railways,
16 and again recently at Dryden -- the Dryden Pulp & Paper
17 Company, one of our best customers. They represented
18 five per cent of our original tonnage for 1958, or
19 approximately 10 per cent of our present tonnage.

20 At that time we went to the Canadian Pacific
21 Railway and said, "Please, gentlemen, we must have an
22 agreed charge. We are going to lose this." And,
23 prior to asking for this agreed charge, we in effect
24 dropped our price 70 cents a ton. That is, from \$2
25 to \$1.30 f.o.b. mine. Now, we didn't cut the price
26 of the product; we changed the product. We had a by-
27 product. Through changing to our own markets, changing
28 our other customers, we were able to get this coal and
29 make it available to the Dryden Pulp & Paper Company in
30 order to at least maintain that piece of business.



1 Now, this represents almost \$600,000 of
2 freight to the Canadian Pacific Railway. At that time
3 they offered us, or offered the Dryden Pulp & Paper
4 Company -- several months later -- they offered them
5 24 cents. Well, we lost it to gas. ~~A year later,~~
6 the Canadian Pacific offered the Dryden Pulp & Paper
7 Company an agreed charge reduction of \$1.03.
8

9 Now, that is very attractive. We are very
10 appreciative of that, but unfortunately it is too late.
11 These people have spent all this money converting
12 their equipment to gas, and they are not very fussy
13 about switching back, because even with the \$1.03
14 the prices are very close. We have
15 got gas competing, but had we had that charge at the
16 beginning we would still have that coal business and
17 the Canadian Pacific would have had their \$650,000
18 a year revenue.

19 Q. Have you had an opposite experience where
20 the railways have acted quickly in order to preserve
21 traffic?

22 A. We have, in the instance of Fort Frances
23 -- that is, the Ontario Minnesota Pulp & Paper Company
24 -- another 125 million tons a year. We knew we were
25 in competition, not with gas or oil, in this instance;
26 we were in competition with American bituminous coal.
27 We went to the Canadian National Railways and we said,
28 "Please, gentlemen, can you help us here?" In a matter
29 of days we had an agreed charge and a reduction of 90
30 cents a ton, and we are enjoying that business, and the



1 Canadian National Railways are enjoying approximately
2 \$600,000 worth of freight.

3 MR. BLAIR: Now, Mr. Chairman, I don't think
4 that the next exhibit that I am going to put in will be
5 contested, but if you refer to page 9 of our brief, at
6 Item No. 8, you will see a heading entitled "U.S. Lignite
7 Coal given Preferred Treatment." I would like to
8 tender an exhibit entitled "Statement Showing Increases
9 Authorized by the Interstate Commerce Commission on
10 Anthracite, Bituminous and Lignite Coal in Ex Parte
11 Decisions."

12 THE CHAIRMAN: Well, that is a matter of
13 record. No opposition to that.

14 MR. BLAIR: I am sure there cannot be.

15 ---EXHIBIT NO. 104: Statement showing increases
16 authorized by the Interstate
17 Commerce Commission on
18 Anthracite, Bituminous and
19 Lignite Coal in Ex Parte
20 Decisions.

21 MR. BLAIR: Now, Mr Chairman, I turn back to
22 page 7, to the part of the brief entitled "Equalization
23 Proceedings," and I come to these exhibits to which Mr.
24 Sinclair referred in his interjection.

25 THE CHAIRMAN: Well, are they something new
26 Mr. Blair?

27 MR. BLAIR: Well, they are filed in support
28 of the allegation and the statements made in this par-
29 ticular paragraph, paragraph (d) on page 7.

30 THE CHAIRMAN: Well, are they objected to?

MR. BLAIR: Not by anyone except Mr. Sinclair,



1 as far as I can make out. My friend Mr. McDonald did
2 not object to it.

3 MR. McDONALD: We haven't had a chance to
4 check them. We just got them yesterday afternoon.

5 THE CHAIRMAN: I don't think they have just
6 been prepared recently; have they?

7 MR. SINCLAIR: I could possibly state the
8 grounds of my objection to them. It is that they
9 involve a calculation of the building of the scale
10 arising from an agreed charge specifically applicable to
11 small towns in Southern Saskatchewan and Southern
12 Manitoba operated within a radius of approximately 180
13 miles to meet competition from the movement of coal
14 from the mines by farmers' own vehicles. From this,
15 there is an attempt being made to build a scale operative
16 for 700 miles. The same material, in essence, was
17 presented to the Board of Transport Commissioners in
18 coal hearings on equalization, and they were refused
19 admittance on the basis that they could not take a
20 specific, as I understand it, competitive situation
21 and from that evolve the scale.

22 THE CHAIRMAN: As I understand, it is some-
23 thing new, which is not in the brief, and I do not think
24 it should be received now.

25 MR. BLAIR: Mr. Chairman, the reason I put
26 them forward is that in the brief, both in the factual
27 part on page 7 and in the recommendations we make,
28 the suggestion that among other things the Commission
29 in reviewing the whole coal picture might recommend
30



1 that the rates on coal be rationalized, and this
2 exhibit is simply filed as an example of how it might
3 be done. Now, it is a non- ---

4 THE CHAIRMAN: Well, as I understand it, the
5 idea that the exhibit has been known for some time, and
6 was used before, but it has not been taken into the
7 brief, and it is something new -- I do not think it
8 should be received now.

9 MR. BLAIR: Well, we are certainly in your
10 hands, Mr. Chairman. We are purposely trying to
11 shorten our presentation. I had intended, of course,
12 to have the witness expand upon these exhibits in the
13 same way that he and other witnesses give testimony.

14 THE CHAIRMAN: Well, it would have been
15 better, Mr. Blair, if the exhibit were going to be
16 used, to have had them in the brief as filed so that
17 opposing counsel would have had the opportunity of
18 going into them.

19 MR. SINCLAIR: That is not my objection at
20 all, Mr. Chairman. I understand what is in his
21 exhibits completely, I think, and I find no difficulty
22 understanding what they say. My objection is much
23 more fundamental than that. I say that they should not
24 be received because, (a) that it is a matter of rate
25 levels that is before the Board; (b) that the basis of
26 taking a competitive agreed charge rate and building
27 from that a rate scale is improper.

28 THE CHAIRMAN: Well, we won't receive them,
29 Mr. Blair.
30



1 MR. BLAIR: Now, Mr. Chairman, I wish to
2 direct the attention of the witness to the concluding
3 part of the brief, commencing on page 10.

4 Q. Mr. Brodie, would you please summarize
5 the first recommendation which occurs,--entitled
6 "Provision for More Complete Assessment of Effects
7 of Freight Rate Increases on Individual Shippers"?

8 A. Sir, we have found, in appearing before
9 the Board of Transport Commissioners, that they could
10 not consider any of our difficulties in deciding whether
11 or not a general increase should be granted or should
12 not be granted when we appeared. I think we have
13 proved our point time and time again, but again, in
14 each instance, we got no decision from anybody.

15 Q. And why is that, Mr. Brodie? Is it
16 because the Board of Transport Commissioners considers
17 that your plight is outside their jurisdiction?

18 A. That is correct. That is correct.

19 Q. Well, Mr. Brodie, turning to page 11,
20 would you please tell the Commissioners what you pro-
21 pose as an alternative to the present system?

22 A. We feel, Mr. Chairman and gentlemen, that
23 possibly the Dominion Coal Board could be of assistance
24 to both railroads and ourselves in solving some problems
25 that we feel are unjust. There is one point I would
26 like to make now -- at the same time, possibly the
27 use of the Dominion Coal Board can be made -- they
28 might, with a recommendation and suggestion to the
29 railways that they do as the United States carriers
30



1 do. They employ in full-time employment combustion
2 engineers who are doing nothing but working in conjunc-
3 tion with the coal companies obtaining new markets, or
4 preventing loss of markets.
5

6 There are things of that nature that possibly
7 the Dominion Coal Board could do as well, as I suggest,
8 where it is economic, where it is in the sense of
9 national interest to maintain coal markets, and that,
10 of course, would tie in with the freight rate.

11 Q. Mr. Brodie, directing your attention to
12 page 11, what function would you envisage for the
13 Dominion Coal Board in relation to a general application
14 for freight rate increases by the railways?

15 A. Of course, that would be entirely up
16 to the recommendation of the Coal Board. We would
17 have to either prove ourselves one way or the other.

18 Q. What would you say their function is?
19 Would it be to determine whether or not you could bear
20 an increase?

21 A. That is correct. That is correct.

22 Q. An objective determination?

23 A. Yes.

24 Q. Mr. Brodie, skipping now to page 13,
25 where the recommendation is made that we have more
26 flexible subventions, could you comment on that?

27 A. Well, I think it is only logical that we
28 should. There is the instance in the coal industry
29 nationally -- I don't know -- the subventions amount
30 to somewhere in the neighbourhood of \$12 million, only



1 this year our subvention on lignite coal into Ontario
2 -- that's the only one we have -- amounted to \$50,000,
3 where three years ago it was \$300 and some odd thousand.
4 But the subventions are infinitesimal at the present
5 time. But possibly with subventions both the
6 railroads and the coal companies could enjoy more
7 tonnage.

8
9 MR. BLAIR: Mr. Chairman, we have endeavoured
10 to present our brief as quickly as we could. I think
11 we need hardly say that under the pressure of time I
12 have the feeling that perhaps we haven't been able to
13 make as full a presentation as we would have liked.
14 We tried to aid the Commission.

15 THE CHAIRMAN: We appreciate your cooperat-
16 tion.

17 MR. BLAIR: And I am sure that the Commis-
18 sion will consider it very carefully.

19 THE CHAIRMAN: Yes. If we want more infor-
20 mation, we will ask you.

21 MR. BLAIR: Thank you, Mr. Chairman.

22 THE CHAIRMAN: I think we will cut out all
23 of the counsel and go right to the railways.



SUBMISSION OF GREAT WEST COAL COMPANY
LIMITED AND ITS SUBSIDIARY COMPANIES
AND MANITOBA AND SASKATCHEWAN COAL
COMPANY (LIMITED)

This submission is made on behalf of Great West Coal Company, Limited, and its subsidiaries, Old Mac Coal Limited and Western Dominion Coal Mines Limited and Manitoba and Saskatchewan Coal Company (Limited) which produce more than 95% of the coal sold commercially from the lignite field in south-eastern Saskatchewan.

Coal has been produced in this field since 1890. Underground mining has long since been replaced by strip mining. Since 1950 the rate of production has been fairly constant at slightly over 2,000,000 tons per year. The yearly production for the period 1951 to 1958 is given in the following table:

<u>Year</u>	<u>Production</u>
1951	2,223,372
1952	2,188,390
1953	2,157,612
1954	2,046,821
1955	2,124,398
1956	2,341,641
1957	2,248,812
1958	2,254,048

Modern production techniques and capital investment:

These two companies have been able to maintain their production in the face of fierce competition from other fuels only by the adoption of the most advanced methods of strip mining. This has entailed heavy capital expenditures, the scale of which is illustrated by the following summary for the years 1951 to 1959:



Year	Man. and Sask. Coal	Great West Coal
1951	\$ 65,262	\$ 631,378
1952	156,063	60,588
1953	62,436	67,000
1954	89,572	25,050
1955	76,782	119,278
1956	448,344	572,386
1957	224,078	165,129
1958	148,782	451,828
1959	<u>236,684</u>	<u>1,346,115</u>
	<u>\$1,508,003</u>	<u>\$3,438,752</u>

This shows a total expenditure in 9 years of \$4,946,755. In the case of Manitoba and Saskatchewan Coal Company (Limited), this represents 150% of the present investment in the capital stock of the company, and, in the case of Great West Coal Company, it represents 320%.

The result of this tremendous capital investment is that the two companies have been able to achieve a high level of efficiency in their operations, which is illustrated by the following table comparing production per man day and average mine selling prices for coal in various regions of Canada (source: Report of the Dominion Coal Board 1957-58):

	Tons per Man Day	Average Selling Price at Mine
Saskatchewan	25.81	\$ 2.03
Alberta strip	14.53	3.17
Alberta Mountain	4.90	6.32
British Columbia	4.16	6.76
Alberta underground	3.88	7.06
New Brunswick	3.62	8.22
Nova Scotia	2.45	10.09
National average	3.80 tons	7.16



1 In the postwar years the two companies have
2 experienced the same general inflation of their costs
3 which has prevailed throughout the whole of the Canadian
4 economy. In particular, they have made nine general
5 wage increases to their employees. However, as a result
6 of the efficiency which they have attained through
7 mechanization, they have managed to maintain the average
8 mine price of coal at approximately \$2.00 per ton, which
9 on the average represents an increase during the whole
10 of the postwar period of not more than 10¢ per ton.

11 While mine prices have remained fairly constant,
12 transportation charges have increased drastically and,
13 as a result of this, the cost of coal to consumers has
14 increased. To illustrate, the increase in transportation
15 costs to Winnipeg, our chief market, is from \$2.30 per
16 ton to \$3.70 per ton for domestic sizes, or 60.9%, and
17 from \$2.30 per ton to \$3.30 per ton for industrial sizes,
18 or 43.5%.

19 Markets: The natural market for Saskatchewan
20 lignite extends approximately from the City of Moose Jaw
21 on the west to the Lakehead on the east, bounded on the
22 south by the United States boundary and on the north by
23 the main line of the Canadian Pacific Railway in Sask-
24 atchewan extending northward to Dauphin in Manitoba.
25 This is the area where, before the application of the
26 postwar horizontal freight rate increases, the geograph-
27 ical location of the Saskatchewan lignite field made it
28 most competitive with other fuels. The Winnipeg area,
29 which is the principal market, is only 282 miles from
30 the mines.

There has been a significant change in the
market pattern of the industry in the postwar years.
Initially the industry was subjected to competition



1 from fuel oil. The extent of its losses of major sales
2 outlets to fuel oil is illustrated by the attached table.
3 In the cities, in particular, the domestic market for
4 house-heating has been lost in substantial part to fuel
5 oil and latterly to natural gas.

6 The industry met the competition of fuel oil
7 by the vigorous development of industrial markets with
8 the result that its output has remained more or less
9 constant for the past ten years. The cultivation of the
10 new industrial market included the financing and education
11 of customers in the use of new techniques and equipment
12 to enable lignite/^{coal} to be utilized to the fullest advantage.
13 It also included a vigorous sales effort which resulted
14 in the use of lignite coal by pulp and paper plants in
15 north-western Ontario. The movement of lignite to these
16 plants was assisted by a subvention (not exceeding \$1.00
per ton) paid by the Federal Government.

17 More than 60% of the current market for lignite
18 coal is industrial and is extremely vulnerable to the com-
19 petition of natural gas. It is a well-known feature of
20 the natural gas industry that gas is offered for sale
21 initially at low prices for industrial users in order to
22 build up volume in a new natural gas pipeline or distribut-
23 ing system. As and when higher priced domestic markets
24 are developed, low priced gas ceases to be available for
25 industrial users except on an interruptible basis. While,
26 over a longer term, it is reasonable to expect the lignite
27 industry will not be faced by competition from natural gas
28 sold at unduly low prices, it is possible that the lignite
29 industry might be destroyed by such competition if it does
30 not receive some measure of relief against its uncontrol-
able transportation costs. The gravity of this competi-
tion can be appreciated when it is realized that the loss



1 of one pulp and paper mill to natural gas represented
2 almost 5% of the tonnage produced by the industry.

3 Apart from the maintenance and expansion of
4 its industrial market, lignite's best hope for the
5 future appears to lie in the expansion and development
6 of thermal electric power generating plants in the Win-
7 nipeg-Brandon area. Expert studies, such as that of the
8 Gordon Commission, agree that the long-term prospects
9 for the use of Saskatchewan lignite coal for industrial
10 and thermal power generating purposes are hopeful. The
11 full development of a market based upon thermal genera-
12 tion of electricity is still several years off because
13 of an apparent excess of electric power which will be
14 built up for several years to come. In addition, natural
15 gas is a strong competitor for this market and it can
16 only be developed if transportation charges are kept at
17 a minimum.

18 Burden of Transportation costs: The lignite
19 coal industry must be unique in the fact that the value
20 of its product (approximately \$2.00 at the mine) is con-
21 siderably less than the cost of transporting it to one
22 of its principal markets (\$3.30 per ton for industrial
23 and \$3.70 per ton for domestic coal at Winnipeg). While
24 the industry has striven successfully to hold its own
25 costs of production in check, the costs of transporting
26 its product to market has increased very substantially.
27 For example, in 1959 when the industry was experiencing
28 the full impact of competition from natural gas, the
29 freight rates were increased by 22¢ which is more than
30 10% of the mine price of the coal. While the industry
will continue to strive to maintain efficiency and economy
in its operations, it may not have the same scope in the
future for absorbing uncontrollable increases in costs



1 and will be even more vulnerable to the impact of
2 increases in its transportation charges.

3 Effect of postwar freight rate increases:

4 Realizing the importance of transportation costs, which
5 as the evidence shows are greater than mine costs, these
6 companies have appeared at all hearings resulting from
7 the railways' various applications for increased freight
8 rates since the war. We have protested not only the
9 application of the increases to the cost of getting our
10 product to the point of use, but also the method by which
11 those increases have been applied.

12 These increases have applied with particular
13 severity to lignite coal because they have been in terms
14 of flat cents per ton regardless of the distance moved
15 or the value of the product. This has resulted in two
16 specific results:

17 (a) The geographical advantages which
18 these companies should enjoy by reason of
19 their proximity to their markets have been
20 considerably cut down. We are not seeking
21 in this brief to make comparisons with rates
22 on Alberta coal which would put us in opposi-
23 tion to them, but the point is obvious that
24 a 25¢ per ton increase applied on a short
25 movement costing a relatively small amount
26 of money has much more impact than a 25¢
27 increase applied on a long movement costing
28 a relatively large amount of money. The
29 competition with Alberta coal, for example,
30 in the Winnipeg market is generally unim-
portant and is likely to remain so but the
effect of the erosion of our geographical



1
2 advantage has hampered the industry in
3 its contest with fuel oil and natural gas.

4 (b) The other effect has been the fact
5 that the principle of "value of service"
6 which was recognized in the western rates
7 case of 1914 has been substantially eaten
8 away. At that time a 10% differential was
9 established between the bituminous coal and
10 lignite coal. As these flat cents per pound
11 increases have been applied to the two types
12 of coal the 10% differential has been re-
13 duced.

14 Review of industry's experience with postwar
15 freight rate increases: As a result of the numerous
16 representations which the industry has made to the Board
17 of Transport Commissioners and to the previous Royal Com-
18 mission on Transportation, it has the following specific
19 criticisms and comments to offer on the present method of
20 adjusting freight rates:

21 (a) No forum exists for considering
22 effects of rate increases on particular
23 industries.

24 The present structure does not appear to
25 provide any adequate forum for the consider-
26 ation of the problems of a particular indus-
27 try like lignite coal or any other industry
28 which might be subject to any given period
29 of time to severe economic pressure. The
30 following record of this industry's exper-
ience before the Board of Transport Commis-



1
2 sioners will bear this out:

3 (i) Early general rate increases 1948-1952

4 Between 1947 and 1952 the industry
5 appeared before the Board in connection
6 with all the general applications for
7 freight rate increases made by the railways.
8 The attitude of the Board in these years
9 was that the problems of one industry could
10 not properly be considered in connection
11 with a general application. The industry
12 was finally advised by the Board to make a
13 specific complaint against unfair discrim-
14 ination for the purpose of permitting the
15 Board to consider the special problems of
16 the lignite industry.

17 (ii) Special complaint against discrimination
18 1953-1955

19 This special case was brought
20 before the Board in 1953. After hearing
21 evidence the Board was driven to the con-
22 clusion that the representations of the
23 coal industry had implications for other
24 industries and other railway traffic, such
25 as petroleum. Thus, the Board deferred
26 its decision and suggested that elaborate
27 studies of the implications of the applica-
28 tion on other industries would have to be
29 made. By 1955, that is after a period of
30 two years, the case was still undecided
and appeared likely to remain so for a
considerable period. At that time, the



1
2 coal companies were able by negotiation
3 with the railways to achieve a modest
4 reduction in industrial rates to Winnipeg
5 and Brandon and, as part of the arrange-
6 ment, agreed to withdraw their complaint
7 upon which the 1953 hearing had been based.

8 (iii) 1956-1957 general rate case

9 Not having been successful in a
10 special case in having the unique problems
11 of the industry considered by the Board of
12 Transport Commissioners, the companies,
13 when the June 1956 applications for freight
14 rate increases were made, were compelled to
15 make their case once more on a general appli-
16 cation. The experience in this case, which
17 was not finally decided until December 1957
18 and which was followed immediately by a
19 further application, illustrates the pro-
20 blems faced by a single industry in seeking
21 relief against freight rate increases from
22 the Board of Transport Commissioners. In
23 its interim judgment of December 1956, the
24 Board refused any special consideration
25 for lignite coal. In its final judgment
26 dated December 27, 1957, a concession was
27 made to the lignite producers, when it
28 applied an increase of 6¢ per ton on all
29 coal except lignite. The Board's reasons
30 for this part of its judgment are quoted
in full, as follows:



1
2 "With regard to lignite coal, it
3 was submitted in the further argument
4 that the Board should give consideration
5 to an exception on this article for two
6 reasons, one that it is an extremely low
7 valued article on which the shippers have
8 only been able to raise the selling price
9 during the past ten years by 10¢ per ton,
10 and second that the industry is facing a
11 new condition of serious importance
12 owing to the immediate threat of competi-
13 tion from natural gas.

14 So long as rates are just and reason-
15 able in and of themselves, the second
16 reason is not one that the Board can take
17 into consideration, but we are impressed
18 with the argument on the first point, i.e.,
19 the value of service. This commodity is an
20 article upon which the Board itself in the
21 western rates case of 1914 prescribed rates
22 10 per cent lower than on Alberta coal.
23 This base has been disturbed over the years
24 by applying the same increases to lignite
25 coal as to higher valued bituminous, sub-
26 bituminous and anthracite coal. We believe
27 the point has been reached where a differ-
28 ence in treatment of lignite coal versus
29 other types of coal should be restored.

30 The Board considers, therefore, that
no further increase should be made at this
time in the normal rates on lignite coal,



1
2 but that the increase of 18 cents per
3 ton already premitted should be allowed
4 to stand. We are not, of course, dealing
5 with competitive rates; it is within the
6 discretion of the railways to increase
7 competitive rates on lignite coal at any
8 time according to their own judgment,
9 subject, of course, to the maximum of
10 whatever normal rate may exist from time
11 to time."

12 Subsequently, any advantage which
13 this judgment might have conferred upon
14 the lignite operators was cancelled be-
15 cause the cabinet disallowed the general
16 increase which the judgment had permitted.
17 It should be noted that the wording of the
18 Board's judgment of December 1957 clearly
19 indicates that it is not competent to take
20 into account those factors which are most
21 important in deciding the industry's future.
22 The Board specifically stated that it was
23 not empowered to give consideration to the
24 threat of competition from other fuels
25 which the lignite industry is experiencing.
26 The only basis upon which it could give
27 relief to a particular industry was some
28 internal consideration of the reasonable-
29 ness of rates and for this purpose the
30 important principle of "value of service"
was employed. This restricted basis for
judgment on the effects of rates on the



1
2 lignite or other industries appears
3 prejudicial to them and is not in the
4 public interest.

5 (iv) 1958 general rate case

6 The next application for increase
7 by the railways occurred in the fall of
8 1958 when, ^{under} threat of strike, they applied
9 for permission to increase rates in order
10 to provide for increased wage claims. The
11 urgency of the application ruled out any
12 proper consideration of the position of
13 special shippers such as those of lignite
14 coal and although representations were
15 made they were not acted upon and the Board
16 specifically decided not to grant the in-
17 dustry the slight concession which it had
determined was proper in 1957.

18 (b) Equalization proceedings

19 The lignite industry also made representations
20 at separate equalization hearings held by the Board
21 in June of 1958 on the specific subject of coal.
22 No judgment has yet been handed down by the Board.
23 At this hearing, the lignite industry suggested
24 that an attempt be made to rationalize the overall
25 freight rates on coal to reduce them to a level
26 which appeared to be compensatory for the railways
27 and which seemed to bear some proper historical
28 relationship to previously existing rates. For
29 the purpose of this submission, the lignite in-
30 dustry suggested that the coal rates be affixed



1
2 at approximately 6% of the Class 100 rate. It
3 should be mentioned that one purpose in making
4 this particular submission was to avoid conten-
5 tion with other elements in the coal industry
6 which was exaggerated when it was found that the
7 most obvious basis for obtaining relief for the
8 lignite industry is the value of service principle.

9 (c) Low costs of shipment not properly considered

10 One major defect in the system of adjudicating
11 by the Board of Transport Commissioners is that no
12 regard appears to be had to the cost of operation.
13 The evidence which has been given on previous
14 occasions has indicated that this is a movement
15 over low density lines with easy grades with long
16 trains and for much of the operation without term-
17 inal charges at the mine or at the consuming end.
18 Also, long large trains up to 50 cars and more are
19 hauled at one time. The fact that this traffic
20 is one of high tonnage, high car loadings (averag-
21 ing nearly 50 tons per car for all classifications
22 and nearer 60 tons for industrial shipments) with
23 a quick turnaround and maximum car usage, also
24 increases the profitability of the traffic. In
25 1956 Canada yearbook shows the overall Canadian
26 average of revenue per train mile as \$11.43.
27 Since rates have increased since then, it may
28 possibly be now of the order of \$14.00. Based
29 on the Winnipeg freight rate for industrial coal
30 of \$3.30 per ton and a 2,500-ton train, which is
not exceptional but rather on the small side, the



1
2 return per train mile is \$29.25 so that it would
3 appear to be a very remunerative traffic, even
4 at the industrial freight rate.

5 (d) Lack of incentive for quick negotiations
6 of special rates

7 In the absence of satisfaction from the Board
8 of Transport Commissioners, the industry has nego-
9 tiated directly with the railways for more realis-
10 tic rates. There is no doubt that the railways
11 are now more amenable than they were earlier to
12 negotiation for specific rates to preserve traffic
13 for coal. Several agreed charges have been nego-
14 tiated, as for example, the 1955 reduction in the
15 rate on industrial sizes to Winnipeg, Brandon and
16 Regina; the 1959 agreed charge for the supply of
17 coal to the Brandon Thermal Generation Station
18 of The Manitoba Hydro-Electric Board; and the 1959
19 special rate to Ormiston, Saskatchewan. However,
20 these negotiations have been disappointing and
21 unsatisfactory, because there does not seem to be
22 any real pressure on the railways to alter rates,
23 and an apparent reluctance on their part to recog-
24 nize the existence of the competitive situation,
25 until the traffic has been lost. There are two
26 particular examples of this. The first is the
27 Neepawa Salt Company at Neepawa, Manitoba, as
28 evidenced by the attached copy of a letter from
29 that company dated September 21, 1956. After the
30 plant had converted to oil, a 40¢ a ton reduction
in freight was made, too late to save the traffic,
and it was not possible to regain it. Secondly,



1
2 there is the case of the Dryden Pulp and Paper
3 Co. at Dryden, Ontario. When the railways were
4 first advised that this traffic of more than
5 125,000 tons per year were endangered by the
6 competition of natural gas and required a re-
7 duction of the order of a \$1.00 per ton to main-
8 tain it, they were stubborn in insisting that
9 they could only offer a reduction of \$.24 per
10 ton. After the pulp and paper mill had gone to
11 the expense of converting its equipment to natural
12 gas the railways offered an agreed charge reducing
13 their rate by \$1.03 per ton. There are other in-
14 stances of the railways offering to reduce rates
too late to save the traffic.

15 Industry has had small benefit from
16 subventions and subsidies

17 The only movements of lignite coal entitled
18 to subvention are those passing over the Manitoba-Ontario
19 boundary. The Dominion Coal Board report for 1957-58
20 shows that of a total Saskatchewan lignite production of
21 approximately 2,200,000 tons, a subvention was paid on
22 only 336,489 tons. The subvention amounted to \$299,462
23 or an average of 89¢ per ton. The scale of subvention
24 is small compared to the national average in the same year
25 when 3,300,000 tons of coal were subject to subvention in
26 the amount of \$8,320,000 or an average of \$2.77 per ton.
27 In the following year the average figure was raised to
28 \$3.15 per ton. Since a substantial part of the industry's
29 market in Northern Ontario has been lost to natural gas,
30 it can hardly expect to benefit through subvention on the
shipment of more than 110,000 to 120,000 tons per year.



1
2 The industry was also denied the advantage of
3 the subsidy provided by the Freight Rates Reduction Act
4 of 1959.

5 U. S. lignite coal given preferred treatment

6 The Inter-State Commerce Commission has, since
7 1947, held down increases on lignite coal to approx-
8 imately one-half the increases on bituminous and other
9 types of coal. The general acceptance of this pattern
10 is indicated by the following extract from the judgment
11 of the I.C.C. dated May 7, 1956, where it is stated:

12 "In prior general increase proceedings Lignite
13 has been subjected to percentage increases and
14 hold-downs approximately one-half of that on
15 bituminous coal, and there is no reason for any
16 different treatment in this proceeding."

17 Recommendations

- 18 (a) Provisions for more complete assessment
19 of effects of freight rate increases on
individual shippers

20 The experience of the lignite industry
21 shows that the Board of Transport Commissioners
22 as presently constituted cannot give proper
23 consideration to the special problems created
24 for individual shippers by general freight
25 rate increases. Where such increases have the
26 effect of imperilling the markets of shippers
27 at the expense of competing products, the Board
28 has held, as it did in its judgment of December
29 27, 1957, that it could not consider such a
30 difficulty in deciding whether or not to grant



1
2 a general increase requested by the railways.
3 Earlier the Board concluded in the case of
4 the 1953 application of the lignite producers
5 for a general review of their freight rates
6 that its jurisdiction to conduct a review was
7 dubious when it was based upon an application
8 by way of a generalized complaint against
9 discrimination. Moreover, the Board found
10 difficulty in dealing with such an application
11 on a limited basis when it considered that it
12 impinged upon the activities and products of
13 other shippers. It would thus appear that,
14 on general applications for freight rate
15 increases, the Board finds itself limited to
16 a study of the proof of the railways' claim
17 for an increase which will not be denied if
18 the proposed rates are found in the words of
19 the judgment of December 27, 1957, "just and
20 reasonable in and of themselves." Likewise,
21 in considering particular complaints the Board
22 is confined to the review of the classic type
23 of discrimination in relation to particular
24 movements and is not equipped to review the
25 general problems of an industry.

26 It would, therefore, appear that there
27 is a serious gap in the jurisdiction of the
28 Board of Transport Commissioners which renders
29 it impossible for the Board to assess fully
30 and fairly the effect of proposed freight rate
increases on particular shippers. While the
Board has said, on occasion, that its function



1
2 is to consider applications in regard to
3 particular freight rates and not act as an
4 economic planning board, it must be admitted
5 that its deliberate policy of refusing to
6 consider the effect of rate increases on
7 particular industries makes its decisions as
8 effective, in the economical sense, as if
9 they had proceeded upon the basis that the
10 Board was attempting to adjudicate between
11 conflicting economic interests. In the case
12 of the lignite industry, for example, the
13 failure of the Board to take into account
14 the disadvantage which the industry suffers
15 in relation to natural gas as a result of
16 freight rate increases has inevitably con-
17 ferred an advantage on natural gas at the
18 expense of the lignite coal moved by rail-
19 ways. Where an industry is placed in a
20 perilous position, it is submitted that its
21 fate should be decided only after a full and
22 fair assessment of all implications of a
23 proposed freight rate increase either by the
24 Board of Transport Commissioners or some
25 other competent tribunal and not simply by
26 the refusal of the Board to consider its
27 difficulties.

28 While we believe that all shippers should
29 be entitled to have some assessment made of
30 the overall implications of freight rate in-
creases, on their markets and economic prospects,
it is submitted that this proposition applies



1
2 with particular force to the coal industry.
3 So far as lignite coal is concerned, the
4 transportation charge is the largest single
5 element in its selling expense. Moreover,
6 the industry has for many years been a
7 specific concern of national policy. The
8 Parliament of Canada has by legislation
9 declared the policy of maintaining the coal
10 industry in some reasonable state of economic
11 health and has created the Dominion Coal Board
12 as an instrument for achieving this purpose.
13 It would seem entirely contrary to the national
14 interest to permit an industry, which has been
15 the subject of such special concern, to be
16 placed in real jeopardy because no proper
17 machinery exists for considering how and to
18 what extent it is endangered by successive
19 freight rate increases and how the effect of
20 these increases might be mitigated.

21 As an alternative to the Board of Trans-
22 port Commissioners itself assessing the broad
23 effect of freight rate increases on the lignite
24 coal industry, it is suggested that use might
25 be made of the Dominion Coal Board. In the
26 event of any future applications for general
27 freight rate increases affecting lignite coal
28 (and other forms of coal) it is respectfully
29 submitted that such application should be
30 referred by the Board of Transport Commissioners
to the Dominion Coal Board for an objective
assessment of their effects on the various



1
2
3 sectors of the coal industry. It is to be
4 expected that the Dominion Coal Board could,
5 after proper study, determine to what extent,
6 if any, the proposed increases might imperil
7 the markets of lignite coal in relation to
8 its chief competitors, natural gas or fuel oil.
9 If the Dominion Coal Board were to find, in
10 any particular application, that the increase
11 would substantially impair its market, it
12 would not be unreasonable to expect that the
13 Board of Transport Commissioners would find
14 it difficult to recommend any material increase.
15 Such an increase would clearly be self-defeating
16 in the sense that the railways would destroy
17 the source of revenue from movement of coal by
18 any undue increase in its selling price.
19 Where, in an appropriate case, the Board of
20 Transport Commissioners found that it was
21 essential to grant the increase requested by
22 the railways, notwithstanding its effects upon
23 the coal industry, some special provision for
24 the application of subvention, as more fully
25 developed below, would arise.

26
27 (b) Emphasis on negotiation of agreed charges
28 and similar rates to meet specific market
29 situations

30
The recent history of the relations between the railways and the lignite industry indicates that there has been much more readiness on the part of the railways to recognize



1
2 the special problems of this industry and
3 to cooperate in the establishment of agreed
4 charges and special rates to enable the move-
5 ment of coal to continue.

6 This attitude is much appreciated by the
7 lignite industry. The industry contends
8 that in most instances the railways have even
9 more to lose than itself from the loss of
10 particular markets because the transportation
11 charge in general exceeds the return of the
12 companies at the mine. Thus, in a unique
13 sense the railways and the industry have a
14 mutual interest in preserving present markets
15 of the industry against the strenuous attacks
16 of other forms of fuel which are now being
made upon them.

17 The secret of success in negotiating
18 agreed charges and other similar arrangements
19 is that they must be established in time to
20 prevent the loss of markets. The evidence is
21 clear that it is too late to institute a low
22 rate after the customer has converted to some
23 other form of fuel. The costs of reconversion
24 and the inconvenience are, generally speaking,
25 so great that once a market is lost it is
almost impossible to recover.

26 It seems not improper to suggest that
27 some assistance might be afforded to the in-
28 dustry and to the railways either by the Board
29 of Transport Commissioners or the Dominion
30



1
2 Coal Board in fully assessing the extent to
3 which particular markets are endangered by
4 the threat of low priced competing fuels. To
5 preserve valuable railway traffic, the railways
6 should be encouraged to enter into agreed
7 charges and other similar types of reduced
8 rates when the loss of markets is threatened
9 and not wait until the loss actually occurs.
10 Where particular agreed charges and reduced
11 rates can be demonstrated to be necessary to
12 preserve markets and at the same time are
13 inadequate to provide a proper return for rail-
14 ways, this type of cooperative action with the
15 Dominion Coal Board should make it possible to
16 provide for subventions in appropriate cases.

17 (c) Possible review of general level of
18 rates on lignite coal

19 There are a number of reasons which make
20 it entirely appropriate for the lignite industry
21 to request some form of differential treatment
22 which would give it lower rates than those pre-
23 vailing for other parts of the coal industry.
24 Such differential is justified historically by
25 the policy established by the Western Rates
26 Case of 1914. It is justified by the "value
27 of service" principle which gives recognition
28 to the low value of the commodity in relation
29 to its transportation charge. It is justified
30 by the special consideration shown to lignite



1
2 coal by the Inter-State Commerce Commission
3 of the United States in all postwar general
4 freight rate increases where the increases
5 on lignite have been held down to 50% of the
6 increases on other types of coal. It would
7 also appear to be justified because the rail-
8 ways' costs in servicing the lignite industry
9 are, it is considered, substantially lower
10 than for comparable movements. There are
11 virtually no terminal charges, the traffic
12 moves over easy routes, old equipment can be
13 used, there is a quick turn-around and frequent-
14 ly unloading by train-load lots. All these
15 considerations justify a lower rate on lignite
16 coal than that which applies to higher grades
of coal.

17 On the other hand, it is not the wish of
18 the lignite operators at this crucial stage in
19 the history of the Canadian coal industry to
20 suggest any course of action which might appear
21 to place other hard-pressed elements of the
22 coal industry at a disadvantage. If this Com-
23 mission, or any other Commission, were to feel
24 that the continuance of differential treatment
25 favouring lignite coal was in the public inter-
26 est, it would be respectfully suggested that
27 such differential treatment should be accorded
28 to other coals of a similar, or nearly similar,
29 B.T.U. content. The lignite industry is con-
30 cerned merely to protect itself against impact
of freight rate increases and to preserve its



1
2 natural geographic advantage in the important
3 markets adjacent to its mines.

4 If it is considered some other method
5 besides differential treatment should be
6 accorded to the lignite industry, it is res-
7 pectfully submitted that it must be based upon
8 some orderly reassessment of the general freight
9 rates presently applicable to the industry and
10 based on conditions now existing in western
11 Canada. Whatever orderly progression might
12 have existed at one time in the lignite freight
13 rate structure has been destroyed by the
14 effects of the flat cents per ton increases
15 which have been applied to it since the war.
16 These flat increases applying to relatively
17 short hauls have also completely distorted the
18 relationship of lignite rates to other coal
19 rates, quite apart from any consideration of
20 differential treatment. Hence, it is respect-
21 fully submitted that a proper case is made for
22 a general revision of lignite and other coal
23 rates in a method which will reduce them to
24 appropriate proportions and ensure their devel-
25 opment in a logical sequence. For this purpose,
26 the starting point might well be the develop-
27 ment of the lignite coal rate schedule (which
28 might be applied to other coals) based upon a
29 percentage of the Class 100 rates, such as 6%.



1
2 (d) More flexible subventions

3 It is the hope of the lignite industry
4 that the effect of the foregoing recommenda-
5 tions would be to enable the industry in co-
6 operation with the railways to achieve workable
7 arrangements which would preserve the industry's
8 markets and the railways' revenues without
9 recourse to public assistance. There may,
10 however, be occasions where it is beyond the
11 resources of both the industry and the railways
12 to provide prices and rates which will preserve
13 important traffic and revenue. Where this
14 occurs, it is submitted that subventions are
15 justified, if the Dominion Coal Board is of
16 the opinion that the traffic is important
17 enough to the general welfare of the lignite
18 industry to justify this special measure of
19 assistance.

20 At all times it must be emphasized that
21 the aim of public policy in the postwar years
22 has been to preserve the Canadian coal industry
23 because it is recognized that in future this
24 industry must, of necessity, play an increas-
25 ingly important role in the provision of import-
26 ant role in the provision of important energy
27 resources. It appears entirely consistent with
28 the broad national policy to propose that the
29 Dominion Coal Board be used as an instrumental-
30 ity for the purpose of assisting the lignite
31 coal industry, the railways and the Board of
32 Transport Commissioners to assess the effects



1
2 of freight rate changes and to adopt measures
3 which will preserve the revenue of the lignite
4 industry and the railway companies in the face
5 of such rate changes.
6

7 Respectfully submitted,
8

9 GREAT WEST COAL COMPANY, LIMITED
10 MANITOBA AND SASKATCHEWAN COAL
11 COMPANY (LIMITED)
12
13

14 February, 1960.
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PLANTS CONVERTED TO OIL AND NEW PLANTS

WINNIPEG

TONS
(Annually)

Marlborough Hotel	Lignite	3,000
MacDonald Brother (Aircraft)	Lignite	8,800
Wall Street C.N.R.	Lignite	9,600
Renfrew C.P.R.	Lignite	23,000
Dorchester C.N.R.	Lignite & Bit.	45,000
Canada Packers (Canning)	Lignite	2,500
Western Gypsum (Steam)	Lignite	2,400
Gypsum Lime (Kilns)	Lignite	1,400
Medical Arts Building	Lignite	1,000
Winnipeg Clinic	Lignite	600
Quinton Dye Works	Lignite	1,500
New Method Laundry	Lignite	1,450
Peerless Laundry	Lignite	2,050
Headingly Gaol	Lignite	1,950
Scott Cleaners	Lignite	700
Canadian Pacific Airways	Lignite	450
Hilton Brothers	Lignite	1,475
Manitoba Technical Inst.	Lignite	950
Boyd Building	Lignite	850
Winnipeg Free Press	Lignite	1,500
City Dairy	Lignite	2,000
Northern Taxi	Lignite	400
Crescent Creamery	Lignite	4,000
Perth Dye Works	Lignite	3,000
St. Boniface Hospital	Lignite	10,000
Fibre Board Manufacturing	Lignite	2,000
Supercrete Limited	Lignite	4,000
Pellisiers Brewery	Lignite	3,000
Swift Canadian Company	Lignite	15,000
Canadian Salt Company (Neepawa)	Lignite	22,000
Manitoba Sugar Company Limited	Lignite	4,000-179,575



		TONS (Annually)	
	Brought forward		333,575
<u>MOOSE JAW</u>			
Robin Hood Flour Mills	Lignite	5,000	
Providence Hospital	Lignite	5,000	
Grant Hall Hotel	Lignite	2,000	
Brunswick Hotel	Lignite	500	
Empress Hotel	Lignite	500	
Harwood Hotel	Lignite	500	
Moose Jaw General Hosp.	Lignite	4,000	
Saskatchewan Co-op Crea,	Lignite	1,000	
Hughes Building	Lignite	500	
St. Joseph's College	Lignite	500	
Capital Theatre	Lignite	500	
Moose Jaw Steam Laundry	Lignite	500	
National Light & Power	Lignite	50,000	
Public Schools	Lignite	5,000	
Collegiates	Lignite	<u>2,000</u>	77,500
<u>YORKTON</u>			
Yorkton General Hospital	Lignite		5,000
<u>BRANDON</u>			
Hospital for Mental Diseases	Lignite	12,000	
Brandon Packers	Lignite	<u>3,000</u>	<u>15,000</u>
			431,075



Brought forward 431,075

NEW PLANTS TO OIL - WINNIPEG

	Displacing Tons Annually	
Canadian General Electric	2,000	
Ford Motor Assembly	1,000	
General Motors Limited	2,500	
Goodrich Tire Company	350	
Goodyear Tire	1,000	
Gutta Percha Tire	300	
International Harvester	700	
Manitoba Telephone	2,500	
Marshall Wells	4,000	
MacLeods Limited	1,250	
Security Storage	2,500	
Westinghouse Limited	2,000	
Mall Clinic	400	20,500
		451,575

RECENT LOSSES TO OIL

University of Manitoba 8,000

INDUSTRIAL LOSSES TO GAS

Ontario & Minnesota Paper Co., Kenora	125,000	
Dryden Pulp & Paper Co., Dryden	125,000	
Sask. Mental Hospital, Weyburn	15,000	265,000
Saskatchewan Power Corp'n, Estevan		340,000
Total loss (to which must be added domestic and semi- Industrial loss, total unknown)		
		1,064,575



THE CANADIAN SALT COMPANY LIMITED

Our File: 458

NEEPAWA, Manitoba,
21st September, 1956.

Great West Coal Company Limited,
BRANDON, Manitoba.

Attention: J. M. Brodie,
Managing Director.

Dear Mr. Brodie:

Acknowledging yours of September 17th.

This will confirm my statement to you in 1953,
at which time we decided to convert the Neepawa power
plant to oil burning equipment. "Had we been assured
of the 40¢ per ton reduction in delivered cost of coal,
we would not have been able to justify the switch to
oil burning."

I trust you will be successful in your appeal
to the Board of Transport re revision in freight rates
in western Canada.

Yours very truly,

THE CANADIAN SALT COMPANY LIMITED

H. Ayres,
Production Manager,
Western Operations.

HA:YW

PAGE 5515 follows.



1 CROSS-EXAMINATION BY MR. McDONALD:

2 Q. Mr. Brodie, page 4, paragraph 5. Do
3 you take the position, as I understand it, that you
4 are not in favour of the increases in rates per 100
5 pounds?

6 A. That is correct.

7 Q. Or rates per ton. If increases were
8 necessary, would you favour percentage increases?

9 A. No, I don't think we would. We would
10 favour possibly a percentage per ton mile basis, yes.

11 Q. A percentage per ton mile?

12 A. Yes.

13 Q. What you mean is a gradual percentage
14 increase?

15 A. Yes, that is correct.

16 Q. I just wanted to get clear what you wanted
17 there. And, on page 8, (c), dealing again with the
18 rates. I refer you to the Waybill Analysis of 1958
19 at page 18, item 305. It shows there bituminous coal.
20 I notice they do not list lignite coal. Is lignite
21 included in bituminous?

22 A. No, sir.

23 Q. It is not?

24 A. No, sir.

25 Q. I don't see anything in the Waybill
26 referring to lignite?

27 A. I don't think you will find anything in
28 lignite in there, as I recall it.

29 Q. But that is the only reference I see to
30



1 anything similar there. There is anthracite, bituminous
2 coal and coke.

3 Then, among the purchasers which you lost
4 you showed the Saskatchewan Power Corporation at Estevan?
5

6 A. Yes, sir.

7 Q. Freight rates did not come into that?

8 A. No, they don't but it seriously affects
9 our ability to keep our costs down and keep our coal
10 competitive with other fields. That is the point I
11 am making -- its economic value to you as well as to
12 ourselves, because if we are not efficient you are
13 going to suffer.

14 Q. But you did not lose that one on account
15 of freight rates?

16 A. No, sir.

17 MR. McDONALD: I don't think I have anything
18 else, thank you.

19 THE CHAIRMAN: Mr. Sinclair?

20 CROSS-EXAMINATION BY MR. SINCLAIR:

21 Q. Mr. Brodie, the same answer would apply
22 to the loss of the tonnage at Weyburn, that you show on
23 the second page of your table. That is Saskatchewan
24 Mental Hospital, Weyburn. And the same answer would
25 apply that you gave to my friend Mr. McDonald concerning
26 the loss at ---

27 A. No -- well, yes. The plant went to gas.

28 Q. Yes, but freight rates were not the factor
29 at Weyburn?

30 A. To a degree, yes, I would say they were.



1 Q. How far is Weyburn from the mine?

2 A. About eighty rail miles.

3 Q. Now, specifically, Mr. Brodie, you would
4 agree with me that the Saskatchewan Power ---

5 THE WITNESS: Excuse me, that is 62 miles, Mr.
6 Sinclair.

7 MR. SINCLAIR: Q. You would agree, Mr.
8 Brodie, that the Saskatchewan Power Corporation is about
9 one-third of your total of these pages and about one-
10 quarter is involved in the two movements you show to
11 the paper plants at Kenora and Dryden?

12 A. Yes.

13 Q. You made a quite of emphasis about this
14 Dryden matter and I thought, Mr. Brodie, that you might
15 have done so, so I have checked the records that we
16 have on this, and I want to put this before you, and you
17 can tell me if you agree with it. And this is
18 specifically referred to by you as one of the specific
19 instances to support your statement on page 8 that
20 the associations that you have had with the railways
21 have been disappointing and unsatisfactory because there
22 does not seem to be any real pressure on the railways
23 to alter rates, and an apparent reluctance on their part
24 to recognize the existence of the competitive situation,
25 until the traffic has been lost.
26



1
2 Now, Mr. Brodie, I am instructed from the
3 information on file that I referred to, that over two
4 years prior to your company drawing to our attention the
5 possibility of a conversion at Dryden, and that the
6 Canadian Pacific discussed this situation with the
7 Dryden plant and also with the freight traffic people
8 and action was started by the railway to see if the
9 tonnage could be saved, did you know that?

10 A. Mr. Sinclair, I wouldn't want to embarrass
11 you on this point.

12 Q. I have been reading the file.

13 A. I would rather not answer that question.

14 Q. You wouldn't like to answer?

15 MR. BLAIR: If my friend wishes to give
16 evidence, perhaps he could just give it and not ask my
17 witness to comment on it.

18 MR. SINCLAIR: I think this is an im-
19 portant matter, Mr. Chairman, and I received this brief
20 last Friday and I got the file out, and this is the
21 only way I know how to do it.

22 THE CHAIRMAN: It may be important, but we
23 are dealing with principles as you know here, Mr. Sinclair.

24 MR. SINCLAIR: Yes, I know you are dealing
25 with principles, sir, but you also received evidence
26 on a number of matters, and there is some evidence
27 that I think we would like to get to the bottom of,
28 seeing it has been received by the Commission, because
29 that is one of the purposes of the Commission.

30 THE CHAIRMAN: Apparently there was some



1 quarrel between the Canadian Pacific Railway and the
2 Great West Coal Company, and we are quite concerned
3 with that.
4

5 MR. SINCLAIR: Oh, let me not have any mis-
6 conceptions; there was no quarrel between the Great
7 West Coal Company and the railway, except the quarrels
8 that naturally arose in doing business with a hard
9 bargainer like Mr. Brodie.

10 THE CHAIRMAN: In any event, there is some-
11 thing for you to deal with on one side or the other.

12 MR. SINCLAIR: Then, it may be if the Commis-
13 sion doesn't want to have this matter dealt with this
14 morning, they say it is an individual case and they
15 are only going to deal with principles, let me ask Mr.
16 Brodie just one more question.

17 Q. I understand, Mr. Brodie, that notwith-
18 standing the numerous negotiations that have been taking
19 place between Mr. Wing of the Dryden Paper Company, as
20 I think its name is, and the railway, that he says the
21 gas was delivered to him so cheaply that there was
22 nothing anybody could do about getting it?

23 A. No.

24 Q. That is not right?

25 A. That is not correct. I would say this:
26 we are on an even-Stephen par with gas at the present
27 time. In fact, we know where you can get an engineer
28 to work on the figures and it works out at approximately
29 the same price that they are paying for gas. Our
30 coal is laying down an agreed charge -- as offered it



1 was \$1.03 and went down to just short of 34 cents.
2 They are buying interruptible gas at 34 cents and our
3 price works out slightly below that, but the fact is
4 this, that we never have charged it, we have never
5 been in there fast enough to stop this, and as to Fort
6 Frances why didn't they switch to American bituminous
7 which was available at the same time and competitive
8 at Fort Frances?
9

10 Q. Would you agree with the Commission that
11 there was an agreement between the Canadian Pacific and
12 the Dryden Paper Company that an agreed charge was
13 negotiated before gas went in there, that it was sent
14 to the Dryden Paper Company, and after they received
15 it they telephoned and said that because of some special
16 arrangement with the gas people they were not going to
17 sign it and asked if the railway would relieve them of
18 their obligation?

19 A. You might just as well offer that for
20 nothing as 24 cents a ton. The point you are making
21 there is that you have a problem with drivers, yes,
22 but under that economy that only comprises 10 per cent
23 of the total tonnage.

24 Q. I am instructed that notwithstanding
25 all the negotiations that have taken place, the gas
26 company are still negotiating to see if they can hold
27 the business, and the railway is still negotiating with
28 the industry to see if it can hold the business?

29 A. I think that if we pull together that
30 by 1962 or 1963 we will both be successful in supplying



1 the coal once again.

2 Q. I certainly hope so, and we don't need
3 this Commission to help us to be successful on getting
4 the contract?

5 A. I don't think so.

6 Q. But on the other hand, Mr. Brodie, in your
7 Exhibit 103, I think that we should not be too pessimis-
8 tic about the lignite industry at all because it has
9 a great future; on that you will agree?

10 A. I certainly hope so.

11 Q. In this Exhibit 103, which was issued by
12 your company on May 26th, 1959, I find this, that your
13 directors are of the opinion that if there is a temporary
14 reduction in lignite markets, this low cost efficient
15 fuel will reestablish itself as an important energy
16 resource in the area it serves, and you certainly
17 agree with that?

18 A. I do.

19 Q. The other one I mentioned was Kenora, and
20 I am instructed that the Canadian Pacific is actively
21 working with M&O to see if some of the difficulties on
22 that one can be resolved, and that involves something
23 other than rates, too; would you agree with that?

24 A. That it did involve something more than
25 rates, but it doesn't any longer. We have been waiting
26 now, Mr. Sinclair, three months to get some suggestion
27 put across to the pulp and paper companies. They
28 don't know which way is up, and they don't know whether
29 they will give an agreed charge similar to Dryden or not,
30



1 and there has been nothing done.

2 Q. My file says there have been discussions
3 between the Canadian Pacific and the Dryden Paper Company
4 on a number of occasions in the last month?

5 A. It must have been the last few days.

6 Q. No, in the last month, a number of times.
7 This is another place where I think that cooperation
8 between the industry, the coal company and the railway
9 to preserve tonnage is the best way of getting at the
10 solution, do you not agree? Now, the only difficulty
11 that is clearly apparent to me, Mr. Brodie, and that
12 goes to the fundamental suggestion that you make of
13 bringing in the Dominion Coal Board, is this: what do
14 you think the petroleum industry's reaction to such
15 a suggestion would be?
16

17 A. They are a separate thing and have
18 nothing to do with the coal business.

19 Q. Do you think that would not cause a great
20 deal of trouble if it was decided that the Dominion
21 Coal Board, which is devoted to coal production, was
22 going to deal with the effect of increases and take
23 some action in regard to that, but actually wouldn't
24 hear the story of the bituminous industry?

25 A. They have had an opportunity over the
26 last twenty-five years to do this. If they took a
27 dim view of it, they should have done it a long time
28 ago. The coal port is losing millions and millions
29 of dollars, and perhaps our company was fortunate in
30 not being able to obtain a loan for a million dollars.



1 Q. I said, if it came down to rate matters
2 and the Dominion Coal Board, and then if costs went up
3 and they found that the lignite industry couldn't gain
4 it, there is only one source which you know of, and
5 that would be subsidies?

6 A. That is right, that is the wish of the
7 federal government.

8 Q. And what I am saying to you is in this
9 situation what do you think your competitors the petro-
10 leum industry would think of that?

11 A. I don't know what they would think, and
12 frankly, I couldn't care less.

13 Q. Now, Mr. Brodie, we will certainly
14 agree, will we not, that the Board of Transport
15 Commissioners should not be the economic planning
16 board for Canada?

17 A. Right.

18 Q. And you would agree with me, Mr. Brodie,
19 would you, that if rates were fixed on a commodity at
20 about 4 per cent on Class 100, and that commodity was
21 very much more valuable than coal, something should be
22 done about bringing the revenues for the movement of
23 that commodity into line with the rest of the rate
24 structure?

25 A. I don't think I would go along with you
26 on that, no.

27 Q. You wouldn't; why not?

28 A. I keep referring to our own industry
29 where we have a low priced commodity and high volume
30



1 business; it is vastly different to say a high priced
2 commodity with low volume.

3 Q. So, we have in relation to coal a low
4 priced commodity of big volume ---

5 MR. BLAIR: In the interests of saving time,
6 if my friend has a specific question perhaps Mr. Brodie
7 could answer it. He is here representing ---

8 THE CHAIRMAN: You mean, he names the
9 commodities?

10 MR. BLAIR: Yes. He is not the rate maker.

11 MR. SINCLAIR: I just want to get his reaction
12 as a man that, although he may not be a rate maker, he
13 has had a great deal of success in making rates. He
14 is not a rate maker.

15 MR. BLAIR: I hope you put the word "success"
16 in italics.

17 MR. SINCLAIR: Q. Grain is more valuable
18 per ton than coal? It is not?

19 MR. BLAIR: Does he know that?

20 MR. SINCLAIR: Q. You don't know the value
21 of grain per ton very well. You are in the coal
22 business and you stay in the coal business?

23 A. That is right.

24 Q. And that is where you want me to leave
25 you?

26 A. Yes.

27 Q. Thank you.

28 THE CHAIRMAN: Any questions, Mr. Balch?
29
30



1 BY COMMISSIONER BALCH:

2 Q. On page 2 it shows the rate reductions
3 in Saskatchewan and the movement in Nova Scotia; would
4 that be the same kind of mining?

5 A. No, sir, there is some strip mining in
6 Nova Scotia, but this figure represents underground
7 mining so there is no comparison.

8 Q. Saskatchewan would be underground?

9 A. No.

10 Q. That is strip mining?

11 A. Yes.

12 Q. Now, the selling price at the mine, would
13 that be the same coal? That wouldn't be the same coal?

14 A. No, sir.

15 Q. Lignite in Saskatchewan?

16 A. If it was compared annually it would
17 represent about 70 per cent of the heat value of Nova
18 Scotia coal.

19 BY COMMISSIONER MANN:

20 Q. I have one question. On page 9 you say,
21 "The industry was also denied the advantage of the
22 subsidy provided by the Freight Rates Reduction Act
23 of 1959." Why was that?

24 A. That was an Act of Parliament.

25 Q. And were you specifically exempted by
26 the Act?

27 A. No, we had a judgment given in our favour,
28 but Parliament wiped it out and we still had to accept
29
30



1 the increase of 22 cents a ton.

2 COMMISSIONER MANN: Thank you.

3 COMMISSIONER PLATT: I just want to add a
4 word of congratulation to anyone who can keep costs
5 down to the 1948 levels, and I hope you continue to
6 have success in this regard.

7 THE WITNESS: Thank you, sir.

8 MR. BLAIR: May I have your permission to
9 ask a question in re-examination?

10 THE CHAIRMAN: Yes, surely.

11 MR. BLAIR: I just want to elaborate on the
12 answer given to the question asked by Mr. Mann, the
13 reason that we were not given the benefit of the subsidy
14 provided in 1959 was that that subsidy only applied to
15 the percentage increases on class and commodity rates,
16 and our rates were increased by a flat cents per ton.

17
18 RE-DIRECT EXAMINATION BY MR. BLAIR:

19 Q. Mr. Brodie, dealing with the question
20 which Mr. Sinclair asked on agreed charges, and having
21 in mind the recommendations which we have made in this
22 brief for a more orderly method of negotiating agreed
23 charges, could you explain to the Commission whether
24 you as a shipper are a participant in the negotiations
25 between the railways and the customer for the agreed
26 charge?

27 A. No, we are not, but naturally we are
28 just as interested in this performance as anybody, and
29 in that instance we have needled the railways into
30 trying to get them in there in time ---



1 THE CHAIRMAN: You would encourage them?

2 THE WITNESS: Yes, we encourage.

3 MR. BLAIR: Q. And perhaps -- not to put
4 words in the witness' mouth -- is it not a large part
5 of this Commission -- that we are inviting this Com-
6 mission to look at the method under which agreed charges
7 are negotiated, and asking them to consider methods
8 of encouraging quick negotiations on agreed charges?

9 A. Yes.

10 Q. Is that not the case?

11 A. That is the case.

12 Q. Now, one further question. Mr. Sinclair
13 has referred to the fact that your financial statement
14 refers to a rather bright future for the coal industry
15 some years hence, but can you survive to enjoy that
16 future if you don't maintain your tonnage?

17 A. That is the problem which we have pointed
18 out time and time again, both to the Board of Transport
19 Commissioners and Royal Commissions and other Commis-
20 sions, that while we have been healthy in the past,
21 we can see ourselves coming into a storm, and if we
22 are going to weather the storm we will need some
23 assistance very definitely, and that unless we go
24 right under, why, by 1962 to 1965 I think, in my
25 opinion, we will be back on our feet again.

26 THE CHAIRMAN: Thank you. Mr. Doherty?

27 MR. DOHERTY: I have no questions, sir.

28 THE CHAIRMAN: Are you ready with your next
29 witness, Mr. Tallis?
30



1 MR. TALLIS: We are here and ready to pro-
2 ceed, Mr. Chairman.

3 THE CHAIRMAN: Yes, Mr. Tallis.

4 MR. TALLIS: Thank you, Mr. Chairman and
5 members of the Commission. I am appearing here as
6 counsel for the Saskatchewan Farmers Union, and I
7 realize that you are under pressure for time, and I am
8 going to make very few opening comments.

9 First of all, I would like to say that with
10 permission of this Commission the witness Mr. Gleave
11 will delete certain portions of the brief when he is
12 reading it, but that we want those sections to be
13 treated as having been read into the record.

14 THE CHAIRMAN: That can be done.

15 MR. TALLIS: If that will be approved by you,
16 Mr. Chairman, and the paragraphs which we propose to
17 delete -- perhaps you would like me to give them to
18 you now?

19 THE CHAIRMAN: We can get them as we go
20 along.

21 MR. TALLIS: Then, directing your attention,
22 Mr. Chairman and members of the Commission, to the
23 submission of the Saskatchewan Farmers Union, I would
24 like to make this one point clear. The witness will
25 be reading this submission on behalf of the Saskatchewan
26 Farmers Union as a farmer and, as such, an endeavour
27 is being made to put forward the feeling of this
28 Association more or less at a grass roots level.

29 Mr. Gleave comes here as a farmer, not as an
30



1 economist, not as a man representing himself to be
2 learned in freight rate structures, and I hope that
3 approach will be taken when he is giving his evidence
4 and being cross-examined.

5 I would like to call Mr. Gleave now, Mr.
6 Chairman, as a witness, and I would like to examine him
7 in chief on a few preliminary matters.

8 THE CHAIRMAN: Granted.

9
10 ALFRED P. GLEAVE, called

11
12 DIRECT EXAMINATION BY MR. GLEAVE:

13 Q. Your name is Alfred Gleave?

14 A. Yes.

15 Q. And at the present time you live in
16 Saskatoon, Saskatchewan?

17 A. That is right.

18 Q. How old are you, Mr. Gleave?

19 A. Forty-eight.

20 Q. And you are president of the Saskatchewan
21 Farmers Union?

22 A. That is right.

23 Q. How long have you held that position
24 as president of the Saskatchewan Farmers Union?

25 A. Two years. I am now in the third year.

26 Q. And apart from being president of the
27 Saskatchewan Farmers Union, what is your active occu-
28 pation?

29 A. I am a farmer.

30 Q. And I believe you have farmed in the



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Biggar district in the Province of Saskatchewan?

A. Yes.

Q. How long have you been farming in the
Biggar district?

A. Ever since 1938.



1 Q. How many acres do you farm?

2 A. Fifteen hundred, approximately.

3 Q. What type of farming do you engage in?

4 A. It is mainly grain, with some grass seed
5 and some livestock.

6 Q. ~~And dealing a little with your background,~~
7 where were you born?

8 A. In Ontario.

9 Q. When did you come to Saskatchewan?

10 A. In 1918.

11 Q. Was your father a farmer by occupation?

12 A. Yes.

13 Q. I take it that you were raised on your
14 father's farm?

15 A. Yes.

16 Q. Have you farmed in other districts be-
17 sides the Biggar district in the Province of Saskatche-
18 wan?

19 A. Well, I had operated some land at
20 Goldersley for a period of some years.

21 Q. You don't farm there now?

22 A. No.

23 Q. Dealing with the Saskatchewan Farmers
24 Union, besides holding the office of president of this
25 Association, what other offices, if any, have you
26 occupied in farming organizations?

27 A. I am a director of the Canadian Federa-
28 tion of Agriculture as well as being on some advisory
29 committees.
30



1
2 Q. Can you specify the advisory committees
3 you are serving on at the present time?

4 A. Well, the Canadian Wheat Board.

5 Q. Prior to becoming president of the
6 Saskatchewan Farmers Union did you actively participate
7 in this particular organization?

8 A. Yes, as a member and as an official at
9 the local level, and director.

10 Q. What offices did you hold, if any, prior
11 to becoming president?

12 A. Director of a district.

13 Q. Dealing with the Saskatchewan Farmers
14 Union -- you have made reference to the districts, and
15 so on -- can you tell this Commission whether or not
16 there is any organization of the Saskatchewan Farmers
17 Union at the local level?

18 A. Yes; briefly, you have the locals,
19 and then the district organizations, and then the
20 provincial.

21 Q. Could you amplify that, starting at the
22 bottom, at the local level, and build up?

23 A. The local is simply an association of
24 farmers who meet on occasion and who elect from them-
25 selves certain officials -- secretary, president and
26 so on, -- a local association for their own advantage.

27 Q. And coming up from the local, what is
28 the next step in the order?

29 A. You have a subdistrict organization, and
30 then a district organization of which there are seventeen



1 in the province.

2 Q. There are seventeen district organizations
3 in the province of Saskatchewan?

4 A. That is right, and at that level the locals
5 select officials.

6 THE CHAIRMAN: Do they coincide with the
7 Wheat Pool districts?

8 THE WITNESS: Yes, but we have added one on;
9 we have one more than the wheat pool. We had to be a
10 little bit different, let us say.

11 MR. TALLIS: Q. From the district level
12 which you have explained, what is the next step in the
13 ladder?

14 A. Well, you have your annual convention of
15 delegates from the locals and representatives from the
16 local areas, and at this level you elect your officials
17 whose job it is to carry forward the policy.

18 Q. And, as I understand it, the last annual
19 general meeting of this Association was held in December
20 1959?

21 A. Yes.

22 Q. Was the question of Crow's Nest Pass
23 Rates placed on the agenda of that meeting?

24 A. Yes, it was there.

25 Q. Dealing for a moment with your own per-
26 sonal activities in relation to the Association, as
27 president do you keep in touch to the best of your
28 ability with the various locals?

29 A. Yes; as locals meet they will send
30



1 resolutions in to the office stating the opinion of
2 that group. We will go to district functions or
3 local meetings and tell them what we are doing, and they
4 will tell us what their opinions are -- a two-way
5 street.
6

7 Q. Do you spend considerable time in this
8 work, in your office as president?

9 A. Yes.

10 Q. With those preliminary questions, Mr.
11 Chairman and members of the Commission, I will now
12 ask this witness to turn to the submission and brief
13 of the Saskatchewan Farmers Union. Would you commence
14 reading the same, please?
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1 A. The Saskatchewan Farmers' Union is a
2 non-political organization incorporated under the laws
3 of the Province of Saskatchewan. Originally, this
4 Association was known as the United Farmers of Canada,
5 Saskatchewan Section, Limited, but in 1950 the
6 Association became known as the Saskatchewan Farmers'
7 Union. This Association is open to membership to all
8 farmers in the province of Saskatchewan, and, at present,
9 has a membership of 12,500 farm families.

10 The Saskatchewan Farmers' Union welcomes this
11 opportunity to make submissions to this Royal Commis-
12 sion on Transportation because of the vital interest
13 which its members have in the matters now under study.

14 The members of this Association are primary
15 producers, being engaged in various branches of
16 agriculture in the province of Saskatchewan. The
17 question of freight rates has always been one of im-
18 portance because it affects the livelihood of each of
19 our members. The interest of our organization is, by
20 no means, confined to only Crow's Nest Pass Grain
21 Rates. Many of our members produce and sell agri-
22 cultural products which are not affected by the Crow's
23 Nest Pass Grain Rates. Furthermore, they are also
24 consumers of a vast number of products which are
25 shipped from other parts of Canada and the United
26 States to the Prairies, and the price of which appears
27 to be directly affected by any increase in freight
28 rate .
29

30 At the Annual Meeting of the Saskatchewan



1 Farmers' Union held in Saskatoon, Saskatchewan, during
2 the first week of December, A.D. 1959, a resolution was
3 passed unanimously by the delegates, instructing the
4 Executive to make representations to this Royal Commis-
5 sion on Transportation, expressing "unalterable opposi-
6 tion to any change in the statutory Crow's Nest Pass
7 Freight Rates on Western Grain."

8 It appears to the Saskatchewan Farmers' Union
9 that the Crow's Nest Pass Grain Rates have been attacked,
10 in particular, by the Canadian Pacific Railway and the
11 Canadian National Railways as an inequity in the freight
12 rate structure, with the result that other shippers are
13 saddled with a burden because of these so-called low
14 rates on Western grain moving to export points. The
15 members of the Saskatchewan Farmers' Union take strong
16 exception to this approach because it completely ignores
17 the historic national approach to railway rates on the
18 movement of one of Canada's most vital export commodities,
19 namely, grain and grain products.

20 The members of this Association also believe
21 that this approach completely ignores other material
22 aspects of our Canadian economy.

23 It is respectfully submitted that the question
24 of the Crow's Nest Pass Grain Rates cannot, and should not
25 be divorced from their origins and historical background.
26 Reference to this historical background is, in view of the
27 Saskatchewan Farmers' Union, indispensable to an under-
28 standing of the present day economic circumstances and
29 problems, and particularly in relation to the primary
30 producer. To overlook the National Policy during the
development of our nation, and in particular, of the
prairie region, would, it is submitted, be an erroneous
approach.



1 As the members of the Saskatchewan Farmers'
2 Union understand it, the construction of the Canadian
3 Pacific Railway, particularly the transcontinental line,
4 was one of the central features of the National Policy
5 of the Government of Canada during the latter part of
6 the Nineteenth Century. The rate concessions made by
7 the Canadian Pacific Railway in accordance with the Crow's

8 Nest Pass Agreement were specific to a particular region,
9 to particular commodities and to particular movements of
10 these commodities. The Agreement did not require or aim
11 at a general lowering of rates on all traffic. The re-
12 ductions on East-bound traffic were limited to grain and
13 flour moving to Fort William and beyond. These reductions

14 it is submitted, were designed to improve the competit-
15 ive export position of the staple product of the prairies
16 and thus encouraged economic activity, without which our
17 prairie region could not have been developed.

18 On the other hand, the reductions on West-
19 bound traffic applied to certain commodities, particular-
20 ly agricultural implements and building supplies, moving
21 from Eastern points to the West and involved the dual
22 purpose of providing the Western settlers with cheaper
23 capital of equipment and of assuring that the maximum
24 possible proportion of this equipment should be supplied
25 by Eastern Canadian factories and carried to the West
26 over Canadian railways. These Crow's Nest rate reduc-
27 tions were directed to the furtherance of economic de-
28 velopment in the prairie region and towards the linking
29 of that development with our Eastern economy.

30 The Saskatchewan Farmers' Union does not think
that the Crow's Nest Pass Agreement can be looked upon in
isolation, but submits that it must be considered as
merely a further step in the implementation of the



1 National Policy of our country.

2 The Canadian Pacific Railway was, it is sub-
3 mitted, designed to play an important function with refer-
4 ence to the National Policy. The National Policy was
5 directed toward unification of the British North American
6 Colonies on a national basis. The prairie region was con-
7 sidered quite a vast and an important part of these Colon-
8 ies. Accordingly, a transcontinental railway would be
9 essential to carry out this purpose, particularly in view
10 of the prospect of American expansion northward and west-
ward.

11 Our forefathers undoubtedly saw the importance
12 of inter-provincial trade to solve economic difficulties
13 in various regions. The Canadian Pacific Railway was
14 accordingly one of the foremost instruments created for
15 the futherance of this purpose.

16 The members of this Association feel that we
17 should not be unmindful of the imposing list of material
18 benefits which were extended to the Canadian Pacific Rail-
19 way Company at the time of its organization in 1881. It
20 is submitted that these benefits were extended by the
21 Canadian Parliament on behalf of the Canadian people to
this Company.

22 The basic subsidy comprised \$25 million dollars
23 and 25 million acres of land. The utmost care was taken
24 to assure that the land should be of good quality. The
25 Company was not to be required to accept any land that was
"not fairly fit for settlement."

26 The Company was also granted the lands necessary
27 for main and branch lines and for its stations, station-
28 yards, freight yards, work shops, docks and other struc-
29 tures. According to the contract, the Government of
30 Canada was required to complete the Lake Superior and



1 Western sections of the railway, and convey them, upon
2 completion, to the Company, without cost. The Selkirk
3 to Emerson branch, constructed by the Government, and
4 already in operation by 1881, was included in this Grant.
5 The amount of line involved was 713 miles and we believe
6 that the cost of this line was later placed at \$37,785,
7 320.00, according to the findings set forth in the report
8 of the Royal Commission to enquire into railways and
9 transportation in Canada (Ottawa, 1917) Page XVI.

10 Furthermore, a number of other concessions were
11 made to the Company. The Government agreed to admit free
12 of duty, all steel rails and a wide variety of other
13 materials necessary for the construction of the railway
14 and of a telegraph line in connection therewith. All
15 telegraphic apparatus required for the first equipment
16 of the telegraph line was also to be free of duty. The
17 Government agreed to a wide measure of tax exemption,
18 Section 16 of the contract provided that:

19 "The Canadian Pacific Railway, and all stations
20 and station grounds, workshops, buildings,
21 yards and other property, rolling stock and
22 appurtenances required and used for the con-
23 struction and working thereof, and the capital
24 stock of the Company, shall be forever free
25 from taxation by the Dominion, or by any
26 Province hereafter to be established, or by
27 any Municipal Corporation therein; and the
28 lands of the Company, in the North-West
29 Territories, until they are either sold or
30 occupied, shall also be free from such tax-
ation for 20 years after the grant thereof
from the Crown."

Section 15 of the contract (later commonly known as the



1 monopoly clause) prohibited for twenty years the con-
2 struction of any line of railway to the south of the
3 Canadian Pacific Railway except for any line which might
4 run south-west or to the west of south-west and not with-
5 in fifteen miles of the international boundary.

6 Along with the more specifically pecuniary
7 benefits extended to the Canadian Pacific Railway Company,
8 there went a generous measure of permission. Among other
9 things, the Company was permitted to construct and operate
10 branch lines and to engage in navigation of inland waters
11 and on the high seas. In a final blanket clause (Sec. 4
12 of the Articles of Association) the Company was granted
13 "all the franchises and powers necessary and useful" to
14 enable it to accomplish its purposes.

15 The Saskatchewan Farmers' Union mentions this
16 wealth of patronage and privilege extended to the Canadian
17 Pacific Railway at the time of its organization to support
18 the contention that this railway is clearly removed from
19 the category of ordinary private enterprise railway com-
20 panies. The purposes which rendered this organization
21 necessary were national purposes of extraordinary im-
22 portance.

23 The fact that the construction of the Canadian
24 Pacific Railway was to secure the territories north of
25 the 49th parallel of latitude from the head of the Lakes
26 to the Pacific Ocean, against the practical certainty of
27 American occupation, cannot be overlooked, because, it
28 is submitted, this involved a modification to a certain
29 extent of the original plans for this railway.

30 When it became apparent that the development
of the vast mineral wealth of British Columbia would
play a vital role in our economy, both our Government
and the Canadian Pacific Railway realized that it was



1 very important to gain control of an important segment
2 of Canadian territory lying close to the American
3 Boundary, and obviously endowed with a measure of econ-
4 omic promise. The Canadian Pacific Railway itself
5 recognized the desirability of a rail line linking the
6 Kootenay with the main line of the Canadian Pacific
7 Railway by way of the Crow's Nest Pass.

8 The Canadian Parliament also recognized the
9 importance of such a line and this gave rise to the
10 Crow's Nest Pass Agreement. It is respectfully submitted
11 that the federal government passed the Crow's Nest Pass
12 Act and entered into the corresponding agreement with the
13 Canadian Pacific Railway to accomplish the following
14 objectives:

- 15 1. The more rapid development of the
16 highly promising mining area of
17 southern British Columbia;
- 18 2. The effective integration of this
19 area into the Canadian economy in
20 defiance of geographic facts and
21 despite American designs;
- 22 3. The enlargement of the prairies and
23 inter-mountain markets for Eastern
24 manufacturers through the provision
25 of lower freight rates on the Western
26 movement of certain important products;
- 27 4. The stimulation of agricultural settle-
28 ment and general economic expansion
29 in the prairie regions by means of the
30 statutory assurance of lower rates on
grain and on inward movement of capital
equipment and
5. The acceptance by the Canadian Pacific



1 Railway of the principle of governmental rate control
2 in the national interest.

3 However, our organization does not think that
4 this Agreement was one-sided because the Canadian Pacific
5 Railway derived at least the following advantages:

- 6 1. A subsidy which would pay, according to
7 the Company's own estimates, upwards of
8 one-half the cost of the Crow's Nest Line;
- 9 2. Construction of this line would entitle
10 the Company to a large land subsidy in-
11 directly from the Province of British
12 Columbia;
- 13 3. The line would provide an all rail link
14 between the Company's main line and the
15 Kootenay region; and
- 16 4. It would also be possible to forestall
17 American economic occupation of that
18 wealthy area and to secure for the
19 Canadian Pacific Railway Company, first
20 claim upon the traffic benefits to be
21 derived from economic development in the
22 southern area of British Columbia.

23 It is submitted that this Commission should
24 bear in mind that the Crow's Nest Pass Agreement ceiling
25 on rates has ceased to exist for commodities other than
26 grain and flour. Members of this organization feel that
27 a very substantial concession has already been made to
28 the railways because of the fact that they have been freed
29 from the statutory limitations which placed a ceiling on
30 rates on a substantial list of capital goods items moving
into the prairie regions from Eastern Canada.

The alterations which have been made in the
Crow's Nest Pass Rates over the years have, by no means,



1 all been in the direction of placing additional burdens
2 on the railways.

3 In this connection, the Saskatchewan Farmers'
4 Union cannot emphasize too strongly the burden which has
5 been placed on the primary producers in the prairie
6 region by reason of the fact that freight rate increases
7 now affect capital goods items moving from the East to
8 the West with the result that prices of goods used by
9 the primary producers are now directly affected by freight
10 increases.

11 Any change in the Crow's Nest rates on grain
12 and grain products will only add to the difficulties of
13 the Western farmer who is already reeling under the
14 effects of the present cost price squeeze. This situa-
15 tion is well known, but it is repeated here so that it
16 will not be overlooked.

17 For some time now, the average farm prices have
18 been steadily dropping. One need only refer to the Canada
19 Year Book of 1957-58, put out by the Dominion Bureau of
20 Statistics, to see how the prices of grain, livestock and
21 other items have been declining. One of the most glaring
22 examples in this connection has been the price paid to
23 primary producers for eggs in recent times. When you
24 take into consideration the diminution in the value of
25 money, the producers really aren't getting any more, if
26 as much, as they did during the grim 30's.

27 The recent report of the Royal Commission on
28 Price Spreads of Food Products, indicates that during the
29 years 1949 to 1958, farm prices tended to decline while
30 food prices tended to increase. Although it is not the
intention of the Saskatchewan Farmers' Union to dwell on
this point at too great length, it certainly does assist
us in considering the plight of the primary producers.



1 These differences in price spreads are fully dealt with
2 in Chapters One and Two in Volume One of the Commission
3 Report. It should be noted that over the period 1949 to
4 1958, farm shares decreased the fastest on wheat into
5 bread (45.7%) and wheat into flour (30.2%).

6 Furthermore, the report of this Commission does
7 touch on the question of transportation costs to a cer-
8 tain extent. The Commission (see Page 14 of Volume 1),
9 deducted the cash receipts of the Canadian farmers for
10 the food parts of the raw materials sold by them, from
11 the total expenditures of the Canadian consumers at
12 retail on foods of domestic origins, in order to arrive
13 at an estimate of the aggregate marketing bill. The
14 marketing bill increased from \$900 million in 1949 to
15 \$2,243 million in 1958. The farm value as a percent of
16 retail value declined from 59% to 44%.

17 The Commission estimated that a transportation
18 portion of the marketing bill increased from 109 million
19 in 1949 to 245 million in 1958. That is, it was more
20 than doubled while the volume of food put through the
21 marketing system increased by only one-third. The over-
22 all increase in aggregate transportation cost over the
23 1949 to 1957 period is attributable mainly to a rise of
24 69% in the cost of transportation per unit of farm food
25 commodities handled.

26 On the other hand, the price of commodities
27 and services used by the farmers has been steadily in-
28 creasing. The latest statistics put out by the Dominion
29 Bureau of Statistics dealing with the price index numbers
30 of commodities and services used by the farmers support
31 this contention.

32 The primary producer in the prairie region is
33 also in a particularly vulnerable position quite apart



1 from the current cost price squeeze, because of the
2 hazards and vagaries of nature. This year is a classical
3 example of the difficulty which is encountered from time
4 to time. Large areas in this province are in the unfort-
5 unate position of having most of the crops under snow.
6 Other areas are a little more fortunate in that they
7 harvested the grain in either a damp or tough condition.
8 However, this means a loss in price per bushel because
9 of the condition of the grain and merely piles up the
difficulties of the Western farmer.

10 With these facts in mind, we cannot agree with
11 the submission, which we understand has been made before
12 this Commission, that the Canadian Parliament "indubitably
13 terminated" the Crow's Nest Pass Agreement in 1925. On
14 the contrary, the Saskatchewan Farmers' Union submits
15 that, while the Canadian Parliament did make some major
16 concessions to the railways, it stood steadfast on the
17 question of the obligation of the Canadian Pacific Rail-
way to carry export grain at low rates fixed for all time.

18 The Saskatchewan Farmers' Union submits that
19 there are good reasons for this point of view, and at the
20 risk of repetition, submit that this agreement between
21 the Canadian Pacific Railway Company and the Canadian
22 Government was an extension of an integral part of the
23 National Railway Policy, without which the economical and
24 political union of Canada could not have become a reality.
25 In other words, the members of this Association feel that
26 we are part of this vast Dominion and the Canadian Parlia-
27 ment, and indeed, anyone must surely recognize that we
are, in a sense, victims of geography.

28 The Saskatchewan Farmers' Union also thinks
29 that in maintaining these fixed rates on grain and grain
30 products, it must be recognized that considerations



1 other than purely economic must have influenced the
2 location of the main line of the Canadian Pacific Railway
3 Company. After much consideration, the so-called North
4 Shore Route was decided upon and it was further concluded
5 that this line must be built immediately, without post-
6 ponement as urged by many persons both in and out of the
7 House of Commons at that time. The national economic and
8 political considerations involved in this decision to
9 proceed with the construction of the North Shore Route
10 can perhaps be best illustrated by quoting from Sir John
11 A. Macdonald when he dealt with an opposition proposal
12 which suggested indefinite postponement of the North
13 Shore Link:

14 "(The proposal is one for) building an
15 easy road across the prairies, and so
16 connecting with the American system of
17 railways, and carrying away the trade of
18 the North-West by one or more American
19 channels, to the utter ruin of the great
20 policy under which the Dominion of Canada
21 has been created, and to the utter ruin
22 of our hopes of being a great nation, and
23 to the ruin of our prospect of getting
24 possession of the Pacific trade, and con-
25 necting Asia with England by a railway
26 passing through the dominions of England.

27 "I am proud to say that if our scheme is
28 carried out, the steamer landing at Halifax
29 will discharge its freight and immigrants
30 upon a British railway, which will go
through Quebec, and through Ontario to the
Far West, on British territory, under the
British flag, under Canadian laws, and



1 without any chance of either the
2 immigrant being deluded or seduced
3 from his allegiance or his proposed
4 residence in Canada, or the traffic
5 coming from England or from Asia being
6 subjected to the possible prohibitory
7 or offensive restrictive taxation or
8 customs regulations of a foreign power . . .

9 "we desire to have the trade kept on our
10 own side--- that not one of the trains
11 that passes over the Canadian Pacific
12 Railway will run into the United States
13 if we can help it, but may, instead,
14 pass through our own country, that we
15 may build up Montreal, Quebec, Toronto,
16 Halifax and St. John by means of one
17 great Canadian line, carrying as much
18 traffic as possible by the course of
19 trade through our country."

20 While the Saskatchewan Farmers' Union agrees
21 that this North Shore Route was no doubt indispensable
22 to national purposes, we do not think that it was moti-
23 vated by purely economic consideration. Construction of
24 this route was completed at tremendous cost. The Sask-
25 atchewan Farmers' Union does not think that any one will
26 seriously quarrel with our submission that this area is
27 relatively poor in traffic contribution. As a matter of
28 fact, it would appear that the construction problems of
29 this North Shore Route were so formidable and its traffic
30 prospects so slender, that only a sense of national im-
perative could make it appear indispensable or even
possible.



1 In retaining the Crow's Nest Pass Rates on
2 grain and grain products, we do not think that Parlia-
3 ment overlooked the benefits and concessions arising
4 from the Crow's Nest Pass Agreement which, we submit,
5 have in a large measure, assisted and paved the way for
6 the Canadian Pacific Railway becoming a powerful and
7 wealthy corporation.

8 It is the submission of the Saskatchewan
9 Farmers' Union that these are all factors which must be
10 kept in mind in dealing with the question of Crow's Nest
11 Rates. When one bears in mind the historical background
12 of national economic and political conditions, it is easy
13 to see how the Crow's Nest Pass Rates have come to be
14 considered and should be considered as the "Settlers'
15 Bill of Rights". This Association feels that when the
16 background of the Crow's Nest Pass Rates is carefully
17 considered, there is no real equity in the fact that
18 export grain rates remain at the level of 1897, while
19 other class rates have been increased substantially.

20 It is significant to note that this matter was
21 before a Royal Commission on Transportation which examin-
22 ed the situation over a period extending from December,
23 1948, when the Commission was appointed, to February,
24 1951, when the Commission presented its report. While
25 we realize that the report of the Turgeon Commission is
26 not, in any way, binding, in this Commission, we feel
27 that the position of the primary producers in the prairies
28 is substantially the same now as it was then, as far as
29 the question of transportation is concerned. From the
30 economic point of view, the position of the primary
producers has changed for the worse.

It is to be noted that the Turgeon Commission
dealt with a number of questions specifically related to



1 the Crow's Nest Pass Grain Rates, which, in the view of
2 the Saskatchewan Farmers' Union, are of importance at the
3 present time.

4 First, this Commission indicated succinctly the
5 error of the view that the Crow's Nest Pass Rates consti-
6 tute a special and unique concession to producers of one
7 region within the Dominion. The position of this Associa-
8 tion in this regard cannot be stated more clearly than by
9 quoting from the report of the Turgeon Commission at Page
10 247:

11 "Whatever the price of wheat may be, the
12 greater part of the crop has to make the
13 long voyage each year to faraway markets.
14 And in leaving the Prairies it travels by
15 railway; no other transportation agency
16 is available to it.

17 "For many years now it has been a recognized
18 factor of Canadian transportation policy
19 that the hardships arising from our neces-
20 sarily long east-and-west railway haul have
21 been tempered along the way by four great
22 measures of relief: The Maritime Freight
23 Rates Act in the Atlantic Region, the toll-
24 free canals in Central Canada, the competi-
25 tive transcontinental railway rates at the
26 Pacific Coast, and the Crow's Nest Pass
27 rates in the Prairies."

28 The Turgeon Commission also considered and
29 rejected categorically the request that Crow's Nest Pass
30 Grain Rates should be made subject to general freight
rate increases. Once again the Saskatchewan Farmers'
Union respectfully adopts before this Commission what



1 was said at Page 252 of the Turgeon Commission report:

2 "Much time has been taken to consider
3 whether it has been established that the
4 Crow's Nest Pass rates, hitherto exempt
5 from the burden of general freight rate
6 increases, should now be made subject to
7 them. As above stated, the removal of
8 this exemption is asked principally on
9 the ground that it casts an unfair burden
10 on shippers of other commodities. This
11 argument seems plausible in theory, but
12 an examination of all the facts involved
13 shows that it is not well founded. It
14 is true that the Crow's Nest Pass rates
15 are a benefit to the shippers of grain
16 and flour in Western Canada. In so far
17 as the shippers of other commodities in
18 that region are concerned, they do not
19 complain of any undue hardship by reason
20 of the exemption in question. From all
21 that was said before the Commission it
22 can be inferred, on the contrary, that
23 these shippers would rather continue to
24 bear whatever additional increase is
25 required in their rates (for instance,
26 the difference between 18% and 21%)
27 than disturb the immunity of the rates
28 on grain and flour. The shippers in the
29 Maritimes on the whole, are fairly well
30 satisfied with the special treatment they
enjoy under the Maritime Freight Rates
Act in its present form, and their repre-
sentative before the Commission did not



1 "join in the suggestion that the Crow's
2 Nest Pass Rates should be affected by
3 general freight rate increases. Shippers
4 in Central Canada are in such an advant-
5 ageous position in comparison with those
6 of the West as to make it clear that they
7 require no relief under existing conditions.
8 The Railway Association of Canada estimates
9 that the railways are losing at least \$50
10 million annually as a direct result of the
11 competitive rates which they put into
12 effect in order to meet truck competition.
13 This means that without this competition
14 the shippers concerned, of whom the great
15 majority are in Central Canada, would be
16 called upon to pay normal rates very much
17 higher than those now in force. There is
18 nothing in their case that can be called
19 a hardship.

20 "On the whole, therefore, no justification
21 can be found for the statement that the ex-
22 emption of the Crow's Nest Pass Rates causes
23 an undue burden upon shippers as a whole or
24 upon any particular class of shippers. The
25 application made for their increase based
26 upon this argument cannot be entertained."

27 It is also to be noted that the Turgeon Com-
28 mission considered and rejected emphatically, the sug-
29 gession that the Commission should recommend the repeal
30 of the statutory control of Crow's Nest Pass Rates. The
31 Saskatchewan Farmers' Union respectfully adopts what was
32 said in this report in this regard at Page 249 to 250:



1 "There remains the question of the railways
2 themselves. Is there any reason why they
3 should be indemnified against whatever ad-
4 ditional burden they may suffer by reason
5 of this exception from increases of the
6 Crow's Nest Pass rates? It is not easy
7 to see what case can be made out for them
8 in this respect. If the Crow's Nest Pass
9 rates were made subject to general increases
10 the ratio of the increases would go down.
11 In any case the statement made by the Can-
12 adian Pacific Railway Company is to the
13 effect that 'since 1922 the greater burden
14 of the Crow's Nest Pass rates deficiency
15 is borne by other shippers.' This state-
16 ment implies that there is really not much
17 to be said against these rates in respect
18 of their effect upon the railways...

19 "The conclusion which commends itself to
20 the Commission is that the time has not
21 come for Parliament to divest itself of
22 the immediate control of these rates
23 which it assumed in 1897. Such a time
24 may come later with the evolution of this
25 country's economic position, but it seems
26 certain that it has not yet come in this
27 case. On the contrary, it would be
28 against the national interest at this
29 moment, in view of the uncertainties
30 which exist in world affairs, and conse-
sequently in world market prospects, to
subject this great export industry to
the disturbances which the abandonment



1 of statutory protection would undoubtedly
2 cause. This abandonment would mean that
3 Parliament no longer looks upon Western
4 Canada's production of grain for export
5 as an industry requiring special consider-
6 ation in the national interest. There is
7 no doubt that the effect of such a measure
8 at this time would be particularly unfort-
9 unate...

10 "The Commission does not believe that the
11 time has come to deal with this great ex-
12 port industry without regard to consider-
13 ations which the Board cannot apply. If
14 it is suggested that in this case Parliament
15 might give special directions to the Board,
16 the answer is that the result of such a
17 procedure would likely prove unsatisfactory.
18 So long as planning of any sort is called
19 for in regard to these rates it had better
20 continue to be done by Parliament itself."

21 The Saskatchewan Farmers' Union feels that the
22 approach of the major railways to this question of grain
23 rates has been lacking in fairness to the primary pro-
24 ducers in this province. The fact that the producers of
25 grain products have no practical alternative when it
26 comes to transportation of their produce, appears to have
27 resulted in the railways focusing the major portion of
28 their attention on this field as an obvious source of
29 additional revenue.

30 If a responsible approach to this matter is
being taken by the railways, we find it difficult to
understand why the railways have picked on the grain



1 rates as the one alleged inequity in the freight rate
2 structure and have pitched their full assault onto this
3 one point. Members of this Association cannot understand
4 why the railways do not willingly deal with the question
5 of losses on passenger traffic, branch lines, etc.,
6 unless it is because of the fact that in those particular
7 fields, they face competition from other transportation
8 media.

9 If increased competition from other sources of
10 transportation media is part of the difficulty in these
11 various other fields, then the Members of this Associa-
12 tion feel that we are entitled to know about it. If a
13 great deal of remunerative traffic is being lost to
14 trucks, it may well be that the truck rates should be
15 brought under the jurisdiction of the Board of Transport
16 Commissioners. However, so far as we are aware, the
17 railways have singled out grain rates for special attack
18 and appear to be saying that whatever short of recovering
19 full costs of certain other traffic they might be, they
20 still want full costs on grain.

21 Needless to say, the Saskatchewan Farmers'
22 Union takes strong exception to this type of approach
23 to a national problem.

24 In passing, the Saskatchewan Farmers' Union
25 would like to note that the Canadian Pacific Railway
26 Company report as abridged in the April 4, 1959, issue
27 of the Financial Post indicates, for example, that the
28 Canadian Pacific Railway incurred losses in the opera-
29 tion of steamships, airlines and hotels. The report
30 further indicates that passenger traffic decreased
during that year.

The Saskatchewan Farmers' Union accordingly
welcomes a full and extensive probe by this Commission
into the freight rate structures, including data on



1 show that the Crow's Nest Pass Rates have served their
2 purpose or are out of date and must accordingly be
3 abandoned.

4 The Saskatchewan Farmers' Union wonders what
5 the attitude of the Canadian Pacific Railway would be if
6 the people of Canada, through our Federal Government, had
7 tried to reclaim, for example, all the oil and mineral
8 rights on the land grants to the Company.

9 It has already been pointed out that this
10 Association is strongly opposed to any subsidy whatsoever
11 being paid to the Canadian Pacific Railway on the movement
12 of export grain. However, if it is decided that there
13 should be a subsidy or compensating reduction in taxes
14 as we understand has been suggested before this Commission
15 the members of the Saskatchewan Farmers' Union take issue
16 with the submission of the Canadian Pacific Railway that
17 it is to be attributed to the Western farm economy. In
18 other words, the suggestion, as the Saskatchewan Farmers'
19 Union sees it, is merely an effort to have any such
20 subsidy categorized as a direct hand-out to prairie
21 farmers, rather than assistance to the railways. In short
22 as the members see it, the railways want the money but
23 want the prairie grain growers to take the blame for the
24 hand-out in the eyes of the Canadian public.

25 In this regard, the Saskatchewan Farmers' Union
26 members feel quite strongly that if the proposal for a
27 federal subsidy to the railways, because of an alleged
28 loss in carrying export grain is approved, there is a
29 real danger that the Crow's Nest Pass Rates will subse-
30 quently be brought into disrepute in other parts of Canada
and eventually strong pressure will be brought to bear
on the Federal Government to repeal the Agreement. The
prairie provinces already have to bear a heavier burden



of freight costs than any other part of Canada and the repeal of these Crow's Nest Pass Rates on export grain would simply be the last straw to our primary producers, who, as has already been stated, are having a difficult time of it.

Merely because the prairie grain growers are the victims of our geography and certain decisions made years ago with respect, for example, to the route which the Canadian Pacific Railway was to follow, should not place them in a position of being stigmatized at the hand of the railways who are asking for this money.

It is the submission of the Saskatchewan Farmers' Union that if any subsidy is to be granted, it should be treated as a national subsidy, because the movement of prairie grain and grain products is a matter which affects the nation and not just one particular region.

Earlier references in this brief indicate that these special grain rates were a step in the implementation of the National Policy, even though the rates were specific to a particular region, to particular commodities and to particular movements of those commodities.

It is the submission of the Saskatchewan Farmers Union that the payment of any subsidy to the railways should not now be viewed without reference to the historic economic and political factors from which we cannot escape.

The Saskatchewan Farmers' Union firmly believe that the Railway Act should be amended so as to specify in very definite terms, that the assets and the earnings of railway companies in businesses and other investments other than railways, should be taken into account in determining freight rates.



In order to make the position of this Associa-

tion clear, it is submitted that the assets and revenues of the various other businesses and investments should be taken into account by this Commission in considering the question of whether or not any subsidy whatsoever should be paid to the Canadian Pacific Railway.

To illustrate the views of the members of the Saskatchewan Farmers' Union on this matter, reference is made to the suggestion that has been made, that the Canadian Pacific Railway-owned Canadian Consolidated Mining and Smelting Company Limited at Trail, British Columbia, was in no way connected with the construction of the Crow's Nest Pass line. While it may be argued that the interests of the Canadian Pacific Railway in this company did not arise directly under the Crow's Nest Agreement, it is submitted that the public assistance given in the construction of this line, helped to place the Canadian Pacific Railway in a position to take advantage of the enormous economic promise in British Columbia, by entering into other fields, such as mining and smelting.

The benefits which the Canadian Pacific Railway has reaped from its operation of this subsidiary company can be directly linked with public assistance which the Canadian Pacific Railway received in developing its rail line into the interior of British Columbia.

Furthermore, as our economic development progressed, the Canadian Pacific Railway Company has found itself the owner of productive mineral properties and has, through the years, received substantial revenue each year in rentals, royalties and, of course, dividends from subsidiary operations. All of these factors, it is respectfully submitted, should be taken into consideration.

The report of the Canadian Pacific Railway



1 Company to its shareholders, which has previously been
2 referred to in this submission, indicates that its sub-
3 sidiary, the Canadian Pacific Oil and Gas Limited, in-
4 corporated on January 3, 1958, has entered into an Agree-
5 ment providing for the sale to Trans-Canada Pipelines
6 Limited, of gas to be produced in the Province of Alberta.

7 This is just another example of the fields which the
8 Canadian Pacific Railway has been enabled to enter into.

9 As time passes, the Saskatchewan Farmers' Union
10 thinks that we can expect that the railways themselves
11 will go into fields where they are now facing competition.
12 From the annual report which the Canadian Pacific Railway
13 made as abridged in the April 4, 1959, issue of the
14 Financial Post, it would appear that the Company is
15 integrating a trucking service with its operation.
16 Apparently, the Canadian Pacific Railway Company has
17 acquired control of Smithson Holdings Limited, which
18 company, in turn, owns Smiths Transport Limited, Canada's
19 largest trucking concern, and a number of related compan-
20 ies in the highway transport business.

21 The Saskatchewan Farmers' Union submits that
22 it is fair to say, that in three-quarters of a century,
23 the Canadian Pacific Railway Company has developed into
24 a corporate system of great size and extreme complexity.
25 It is engaged in a great variety of activities with
26 ramifications extending throughout the world. While
27 some of these activities may appear to have little rela-
28 tion to the operation of the railway system, it is a
29 logical inference to make that authority to engage in
30 these various activities was granted by Parliament with
a view to facilitating the operation of the railway
system.



1 It is submitted that our history shows that
2 the Canadian Pacific Railway Company was designed and
3 created by the Canadian Parliament as a corporate entity
4 with a single national purpose or group of purposes and
5 that the Canadian Parliament has, at no time, altered
6 its view that the Company has to be regarded and treated
7 as such.

8 The Saskatchewan Farmers' Union can see no
9 logical reason why all the various assets and earnings
10 of the Canadian Pacific Railway should not be taken into
11 consideration when dealing with the question of freight
12 rates. Any claim that the Company, in effect, possesses
13 a dual personality, that it embodies within itself a rail
14 enterprise and a non-rail enterprise, is categorically
15 denied by the Saskatchewan Farmers' Union as an unsound
16 assumption when the facts are examined.

17 Needless to say, the Saskatchewan Farmers'
18 Union is vitally interested in the possibility of
19 achieving more economical and efficient railway trans-
20 portation. Freight increases in recent years have been
21 an added burden to the lot of the prairie farmer. Due
22 to our geographic location, railway transportation will
23 always affect our economic position. The Saskatchewan
24 Farmers' Union is firmly convinced that the Canadian
25 Pacific Railway Company clearly emerges from an histor-
26 ical study of Canada as an instrument of National Policy.
27 It was projected and created as such an instrument and
28 its development to the present day, has, in the main,
29 proceeded with the framework of national design. Along
30 with Confederation as the constitutional instrument and
with appropriate land and immigration policies, the
Pacific Railway constituted an absolute essential for the
creation of the Canadian nation. American continental



1 imperialism, in full flood after the middle of the 19th
2 Century, threatened to absorb all British territories
3 from the Great Lakes to the Pacific Ocean. A transporta-
4 tion and communication system which would link the provin-
5 ces of Canada with the Pacific and which would run exclu-
6 sively through Canadian territory, was indispensable if
7 this threat were to be averted. The Canadian Pacific
8 Railway Company was incorporated and generously endowed
9 by the people of Canada to build a system and to operate
10 it in perpetuity. Perpetual operation of the railway
11 system, no less than its construction, was a nation
12 imperative.

13 However, the recent approach of the Canadian
14 Pacific Railway Company in its attack on the Crow's Nest
15 Pass Rates as being virtually the root of all evil is,
16 it is submitted, inconsistent with the position of the
17 Canadian Pacific Railway as an instrument of our National
18 policy.

19 The Saskatchewan Farmers' Union accordingly
20 submits that the stage has now been reached where serious
21 consideration should be given to the nationalization of
22 the Canadian Pacific Railway Company. The nationalization
23 of this railway is not being advocated merely as an end in
24 itself, but as a means to an end.

25 In making this submission, it should be pointed
26 out that the nationalization of the Canadian Pacific Rail-
27 way could not be considered as a taking over of a company
28 built up exclusively by private enterprise. On the con-
29 trary, it is submitted that a transcontinental railway of
30 this magnitude would have been beyond the capabilities of
unassisted private capital. A Pacific Railway would either
have had to be built by public enterprise or by private
interests given substantial public support. The latter



1 course was chosen.

2 In this regard, it should be noted that the
3 Canadian Pacific Railway was not created as an ordinary
4 corporation with complete freedom to establish prices
5 for its services subject only to the general laws of the
6 land. It was not created as an ordinary railway company.
7 The legislation was established to give recognition to
8 its distinctive character by providing that its rates were
9 to be subject to more restrictive control than that pro-
10 vided in The Railway Act for railways in general. The
11 Company was subsidized through substantial gifts of money,
12 land and completed line, and was given additional pecuniary
13 benefits in the form of tax and duty exemptions and monop-
14 oly powers regarding location. The incentives were de-
15 signed to induce the shareholders to undertake the project
16 with a reasonable chance of satisfactory conclusion. The
17 benefits were of sufficient magnitude to mark the Company
18 as the recipient of exceptional public favour to warrant
19 its treatment as the bearer of exceptional public obliga-
20 tions.

21 If the Canadian Pacific Railway Company believes
22 that the question of grain rates should be dealt with on a
23 purely economic basis at this time, the nationalization
24 of this Company has, in the view of the Saskatchewan
25 Farmers' Union, much to commend it. Nationalization of
26 the Canadian Pacific Railway would mean that our railway
27 lines could be integrated into one system, managed by the
28 public to see that the railway system is operated in
29 accordance with the established national policy.

30 From the standpoint of economic efficiency,
we believe that the people of Canada would derive substan-
tial benefits. In this way, through an integrated railway
system, managed by the public, the waste of economic



1 resources by the two companies virtually covering the
2 same territory in some cases, could be overcome. In
3 a sense, to a layman, the position of the two railway
4 companies at the present time, in certain areas, is not
5 much different from that of two milkmen from different
6 companies covering the same route. We think that this
7 can clearly be categorized as a waste of economic
8 resources.

9 Furthermore, our history indicates that the
10 question of the operation of a transcontinental railway
11 system involves much more than just ordinary economic
12 considerations. Other social and political factors have always
13 been considered in this connection. It is the submission
14 of the Saskatchewan Farmers' Union that the nationaliz-
15 ation of the Canadian Pacific Railway would contribute,
16 in no small measure, to the attainment of these various
17 ends.

18 In conclusion, the main submissions of the
19 Saskatchewan Farmers' Union to this Commission at this
20 time can be summarized as follows:

- 21 1. It is unalterably opposed to any
22 change in Crow's Nest Pass Rates;
- 23 2. It is opposed to payment of any
24 subsidy whatsoever to the Canadian
25 Pacific Railway Company;
- 26 3. If any subsidy is to be paid to the
27 Canadian Pacific Railway or the
28 Canadian National Railway, it should
29 be dealt with on a national basis
30 and not to be categorized as a hand-
out to the Western farmer;
4. In determining the income of the
Canadian Pacific Railway, and

The first of these is the fact that the
the second is the fact that the
the third is the fact that the

The fourth is the fact that the
the fifth is the fact that the
the sixth is the fact that the
the seventh is the fact that the
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The eleventh is the fact that the
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the twenty-eighth is the fact that the
the twenty-ninth is the fact that the
the thirtieth is the fact that the



indeed, any other railway, account
should be taken of the assets and
earnings of railway companies in
businesses and other investments
other than the operation of railway
lines;

5. The Saskatchewan Farmers' Union
strongly advocates the nationalization
of the Canadian Pacific Railway Company
so that it can be integrated with the
Canadian National Railway into one
transportation system, controlled by
the people of Canada, so that our
railway system can continue to play
its proper role as an instrument of
National Policy.

(Page 5595 follows)



CROSS-EXAMINATION BY MR. COOPER:

Q. Mr. Gleave, on reading this brief, the recommendations of the Saskatchewan Farmers' Union and their submissions are clearly set out in paragraph 79, and the arguments which are put forward leading to those recommendations are also clearly set out in your submission. There are, however, one or two points on which I should like to ask you a few questions.

I turn first to page 17, and at the very top of the page, in paragraph 46, it says:

"If a great deal of remunerative traffic is being lost to trucks, it may well be that truck rates should be brought under the jurisdiction of the Board of Transport Commissioners."

Is there any set view of the Saskatchewan Farmers' Union as to control of truck rates, or is that just a possible suggestion as to what might be done in certain circumstances?

A. That is just a possible suggestion. We have no set view on the relationship of truck to rail traffic.

Q. At page 19 you state in paragraph 58:

"It is the submission of the Saskatchewan Farmers' Union that if any subsidy is to be granted, it should be treated as a national subsidy, because the movement of prairie grain and grain products is a matter which affects the nation and not just one particular region."



1 I understand there that paragraph 58 -- and correct me if
2 I am wrong -- that the subsidy to which you refer there
3 is, if there is to be any subsidy, payable with respect
4 to Crow's Nest rates?

5 A. If there is to be any subsidy paid in respect
6 of the need of the railway companies in regard to any
7 freight rates.

8 Q. The need of the railway company arising
9 from what?

10 A. From traffic losses due to the fact that
11 they are losing money, or, if they should establish
12 anything in respect of the Crow's Nest rates.

13 Q. Well, you mean traffic losses generally,
14 no matter from what cause they may arise?

15 A. That is right.

16 Q. And the Crow's Nest Rates may be only
17 one element in that general picture?

18 A. That is right. Our position is that
19 as of now we do not know that it has been established
20 there is a loss in respect of the Crow's Nest Rates.
21 As far as we know this has not been established.

22 Q. And if it were established, that would be
23 one of the grounds for a subsidy being granted, possibly;
24 is that the position of the union?

25 A. It could be, but what we are pointing out
26 in this paragraph is that grain is not only important
27 to us as farmers here; it is also important to the
28 elevator systems at the head of the lake and people of
29 Port Arthur and important to the people in Montreal and
30



1 important to the people in Vancouver, and it is impor-
2 tant that it arrive there and be transshipped there
3 from the point of view of keeping the ports busy and
4 keeping these people employed. We don't think it is
5 fair to us to say, "You are the people who shall bear
6 the full effects of this."
7

8 Q. If I may put it shortly, if I can, to
9 state your position, what you have been saying amounts
10 to this, really, that the matter of the export of grain
11 or the movement of grain to export positions in Western
12 Canada is not a local problem, but a national problem?

13 A. That is right.

14 Q. On page 21, paragraph 67, you refer to
15 the matter of the integration by the Canadian Pacific
16 Railway Company of a trucking service with its operation,
17 and you refer to the acquisition of a trucking company
18 by the Canadian Pacific Railway Company. Does the
19 Saskatchewan Farmers' Union take any stand on the
20 question as to whether or not the railways are engaged
21 in trucking operations?

22 A. No. To the best of my knowledge, in
23 our annual conventions or in our meetings our people have
24 not taken a stand one way or the other in this matter.

25 Q. And perhaps have not actively considered
26 it?

27 A. This would be true; they haven't actually
28 considered it and made a recommendation.

29 Q. Paragraph 71:

30 "Needless to say, the Saskatchewan Farmers'



1 Union is vitally interested in the possibility
2 of achieving more economical and efficient rail-
3 way transportation."

4 Could you assist the Commission, Mr. Gleave, by making
5 any suggestions now that the union might have as to
6 areas in which more economic and efficient railway
7 operation could be attained or secured?

8 A. I am not sure that we usefully could, sir,
9 because what we have said here, in effect, in this
10 brief, is that if the railways cannot operate as
11 they are presently operating, we suggest one solution.
12 It would not be proper for me to stand here and say,
13 "Take all the passenger lines off the C.P.R.", because
14 I haven't the faintest idea what this would do to the
15 C.P.R. So, we hesitate to say, "Do this and that
16 individual thing."

17 Q. Are you implying, nevertheless, Mr.
18 Gleave, that passenger services are perhaps one area
19 where more economical operations might be carried out
20 by abandonments of passenger services or reductions of
21 expenses?

22 A. No, I am not implying that at all. I
23 just stated I wasn't in a position to say certain things
24 like this should be done.

25 Q. In paragraph 73 on page 23 you say:

26 "The Saskatchewan Farmers' Union accordingly
27 submits that the stage has now been reached where
28 serious consideration should be given to the
29 nationalization of the Canadian Pacific Railway
30



1 Company. The nationalization of this railway
2 is not being advocated merely as an end in
3 itself, but as a means to an end."

4 I am not quite clear on the meaning which should be
5 attributed to that last sentence -- "The nationalization
6 of this railway is not being advocated merely as an
7 end in itself, but as a means to an end."

8 A. Well, what we are saying is, you might
9 possibly say we are protecting ourselves against a charge
10 of being a bunch of radical Red socialists? We are
11 suggesting the amalgamation of these two railways if
12 it is necessary in the interests of economy and in the
13 interests of keeping the present costs of transporting
14 grain down to its present level. Our objective is
15 one, and one only, and that is to keep the present
16 transport costs of moving it, whether it is to Vancouver
17 or Fort William, at the level it is now.

18 Q. In order that I may understand it
19 completely, not just nationalization for nationalization's
20 sake?

21 A. No, this is not our objective at all.

22
23 CROSS-EXAMINATION BY MR. HUME:

24 Q. Just a question or two. Mr. Gleave,
25 so that you may understand my point of view, let me
26 tell you that I am representing the Canadian Trucking
27 Associations, and the only comment I want to make with
28 respect to your brief arises out of the top sentence on
29 page 17 that you have discussed already with Mr. Cooper.
30 You told him you have no set view, your Association, but



1 you put it forward as a possible suggestion, and that
2 is that truck rates would be brought under the juris-
3 diction of the Board of Transport Commissioners?

4 A. Yes.

5 Q. I say to you, sir, that it is in your
6 brief and it is a suggestion, and I want to ask one
7 or two questions about it. In preparing that part
8 of your submission, may I ask you whether you are aware
9 that according to DBS sample, 96 per cent of intercity
10 truck movement is intra-provincial and, therefore,
11 within provincial jurisdiction, and that only 4 per
12 cent would fall into this category of federal juris-
13 diction?

14 A. No, I am not aware of this, and we
15 didn't make a particular study. I think I made this
16 point clear in answer to Mr. Cooper's question.

17 Q. Well, I am sure you did. I wanted it
18 clear from my point of view. I take it, therefore, you
19 are not aware that only four per cent would be affected
20 by this suggestion of intercity traffic of all kinds?

21 A. No.

22 COMMISSIONER MANN: Mr. Gleave would perhaps
23 not know that those statistics are somewhat misleading,
24 because the Winter Case gave the federal government
25 jurisdiction over the intra-provincial operations of
26 an inter-provincial carrier.

27 MR. HUME: That is quite correct.

28 Q. So there will be no misunderstanding
29 both between us and on the record, these statistics are
30



1 only the sample statistics, and the DBS report makes
2 it clear that they are only a sample and cannot be
3 taken as absolute; and, secondly, as Commissioner Mann
4 points out, the jurisdiction that would fall under
5 this would apply to the intra-provincial movement of
6 inter-provincial carriers: do you follow me?
7

8 A. Yes.

9 Q. Secondly, may I ask you this, that if
10 your suggestion was carried out, would you conceive
11 that the trucking companies would have the right to
12 lower their rates by the issuance of competitive rates
13 without getting authority, or is your suggestion de-
14 signed to be sure the truck rates remain at a reasonable
15 level and could not be lowered without some sort of
16 permission?
17

18 A. I think what we are saying is this, that
19 in the interests of efficiency and economy, if the
20 Commission should find that in order to achieve this
21 it would be of advantage to regulate the movement of
22 freight or express by trucks under certain circumstances
23 as well as railroad, we suggest they should do this.

24 Q. That is somewhat watered down from what
25 I interpret to be your sentence, "If a great deal of
26 remunerative traffic is being lost to trucks, it may
27 well be that truck rates should be brought under the
28 jurisdiction of the Board of Transport Commissioners."
29 I assume that what you were suggesting there was that
30 the rates would be kept up so it would not be lost to
the trucking industry, and if I misunderstood that, I am



1 sorry. May I ask you also, in considering that aspect
2 of the matter whether your Association was aware of
3 the fact that by far the greater percentage -- perhaps
4 not "by far" -- but certainly a greater percentage of
5 intercity movement is by private truck and not by
6 for-hire carrier; did you take that into consideration?
7

8 A. Well, I live in a prairie region and I
9 know something of the fact that a great deal of the
10 transport, for instance coming into Biggar, comes by
11 truck, and yet it is on the C.N.R. main line, and it
12 proceeds from there to other places. So, we are
13 trying to say, to go back to what I said again, that
14 we don't particularly want to develop a transportation
15 system that is any more expensive than it has to be,
16 because if it is as expensive as it has to be, that
17 is bad enough. We are merely saying to the Commission
18 they should have regard to the circumstances of the
19 two lines of transportation working together.
20

21 Q. Would you say the competition between
22 the rail and truck into Biggar was a good thing for
23 the residents of Biggar or not?

24 A. Sometimes it is, and sometimes it is not.
25 I don't see how you are going to give a fixed answer to
26 this, sir. You might very well, with the trucks, for
27 a limited time cut down the freight that a company or
28 an individual is paying. You might put the railroad --
29 you might take a certain amount of traffic away from
30 the railroad and they would hoist their prices, or
 something else, to get back into the position they were



1 before the truck moved in. I don't see how you expect
2 me to give answers to this sort of question.

3 Q. I didn't mean to ask questions that
4 would embarrass you. I wanted to find out whether or
5 not your rail or truck rates are lower by reason of
6 competition, or whether you feel that competition
7 would maintain rates. What you are suggesting by this
8 is that truck rates and rail rates be regulated so that
9 they could not freely compete one with the other except
10 under a regulatory umbrella: have I stated it correctly?

11 A. If a great deal of remunerative traffic
12 is being lost to trucks, it may well be that truck
13 rates should be brought under the jurisdiction of
14 the Board of Transport Commissioners. That is what we
15 said.

16 Q. For what purpose, sir -- to keep the
17 truck rates up?

18 A. No, to get a balance. We refer here,
19 not to rates, but to traffic -- to keep the balance
20 within traffic -- to maintain a level where the volume
21 of traffic would be reasonable.

22 Q. And keep the truck rates up so the
23 traffic would not be lost to the trucks; isn't that
24 implied in your sentence?

25 A. It might, and in certain circumstances
26 you might bring them down.

27
28 CROSS-EXAMINATION BY MR. DICKSON:

29 Q. Mr. Gleave, my name is Dickson and I
30 represent the Northwest Line Elevator Association.



1 This brief reflects a lot of work on the part of you
2 and Mr. Tallis and the others, and before asking
3 you one or two questions I might say that particularly
4 the historical aspects of it and your views on the
5 Crow's Nest Pass Rates as an instrument of national
6 policy will be of great value and interest in this
7 difficult problem.

8 On page 5 of your brief you make a quote
9 from a contract and you say that Section 16 of the
10 contract provided that "so-and-so". Just for the
11 record, the date of that contract is . . . ? 1881,
12 isn't it?

13 A. Yes.

14 Q. That is some sixteen years prior to the
15 Crow's Nest Agreement?

16 A. Yes.

17 Q. And those exemptions which are mentioned
18 there and which were granted in 1881 -- is the C.P.R.
19 still enjoying those same exemptions?

20 A. Not all of them, no.

21 Q. As far as tax relief on these station
22 grounds, workshops, and so on?

23 A. You are referring under the Canadian
24 Pacific Railway to all stations and station grounds
25 and workshops, etc.?

26 Q. Yes.

27 A. Well, in so far as I know, they are.

28 Q. Mr. Gleave, at the Winnipeg hearings
29 there was some reference to the matter of abandoning
30



1 branch lines and tearing them up and getting rid of
2 them, and that would be the end of it. There were
3 several briefs which expressed the view that the
4 railways had an obligation to the farmers who had
5 expended labour and capital on their farms and organized
6 their operations in such a way and in the faith that
7 they would have rail service and continue to have
8 rail service: would you agree there was an obligation
9 to continue such a service?
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1
2 A. Yes, I think there is. I don't take
3 it that you can make light of the fact that
4 has been there and upon which people depend and on
5 which they have centred their operations; you can't
6 lightly tear it up, it can't be done.

7 Q. The point was also made that in many
8 cases rates have been built to feed particular delivery
9 points, and that if certain lines were abandoned the
10 deliveries would have to be made to some distant points
11 along some circuitous route pattern; would you agree
12 with that?

13 A. Yes, that would be the case.

14 Q. Would you agree also that at the present
15 time deliveries are spread throughout the year more even-
16 ly than was the case prior to the introduction of the
17 Wheat Board?

18 A. Yes, there was a time when we would de-
19 liver 75 per cent or 80 per cent of our grain into the
20 field, and now we don't do that at all.

21 Q. And if some distant delivery points were
22 established, it would be more difficult during the
23 winter months to make those deliveries?

24 A. Well, it would depend on road conditions,
25 and so on.

26 Q. And in the normal course of longer dis-
27 tances involved, there is additional cost in delivering?

28 A. Well, the further you haul a bushel of
29 grain the more it costs you.

30 Q. The suggestion was made that the operations



1 of certain branch lines should be reviewed annually
2 to see whether their continued operation was justified.
3 Do you think any such system which might involve an
4 annual controversy would be desirable?

5 A. Well, if you are going to consider
6 whether certain lines should be continued or not, it
7 should only be done after pretty careful -- there should
8 be a lot of consideration given to it as to the effect
9 on the people who are contributing to that line, as
10 to the effect on their grain handling facilities,
11 and an annual thing, I would say, would be pretty short;
12 you pretty near have got to give people some notice of
13 a proposal to do a thing like this, you can't just ---
14

15 Q. You think an annual review is too fre-
16 quent?

17 A. I would think so. The railways and even
18 the branch lines have been the hub of the activity on
19 the prairies, they have been the centre of the whole
20 development and operation.

21 Q. At the present time there are two appli-
22 cations for abandonment pending before the Board on lines
23 within the Province of Saskatchewan, and one of them is
24 between Reston and Wolseley. Has your organization
25 taken any stand on whether to support or oppose such
26 an abandonment?

27 A. Not as yet.

28 Q. You understand if there were abandonments
29 they would reduce the amount of storage available in
30 the country areas?



1 A. Yes, it would, unless the elevator com-
2 panies decided to move them and set them up some place
3 else. In the case of old elevators I think this would
4 be pretty unlikely.

5 Q. So, to that extent you would move the
6 storage?

7 A. That is right.

8 Q. On page 19, Mr. Greaves, you say:

9 "In short, as the members see it, the rail-
10 ways want the money but want the prairie grain
11 growers to take the blame for the handout in
12 the eyes of the Canadian public."

13 Later on you say that you don't want the farmer placed
14 in the position of being stigmatized.

15 Now, if there was a subsidy approved and if
16 that was in your view improperly regarded as being re-
17 lated to the movement of export grain and for the benefit
18 of the farmers, what effect do you think that would
19 have on Canadian unity and on the future growth of a
20 united Canada?

21 A. Well, I could see that you might very
22 well wind up in this position, that a succession of
23 parliaments would ask you whether this subsidy should
24 be continued, and you would have a division of opinion
25 which would tend to break into geographical areas. I
26 would think it wouldn't contribute to it.

27 Q. It would contribute towards sectionalism
28 over the country?

29 A. Yes.
30



1 Q. And the farmers in Saskatchewan are not
2 asking for any subsidy at the present time in this re-
3 gard?

4 A. No.

5 Q. They are simply asking that the status
6 quo remain.

7 Now, at the top of page 20 you say:

8 "Earlier references in this brief indicate
9 that these special grain rates were a step
10 in the implementation of the National Policy,
11 even though the rates were specific to a par-
12 ticular region, to particular commodities,
13 and to particular movements of these com-
14 modities."

15 Now, it is those last few words that I am interested
16 in, "particular movements of these commodities."

17 Is it your point here that there is no protection on
18 the movement of grain and grain products for domestic
19 consumption?

20 A. There is no protection for the movement
21 within the province. If you move a carload of feed
22 grain you don't pay the same rate.

23 Q. That is, the domestic rates have taken
24 the brunt of the various horizontal increases?

25 A. Yes.

26 Q. In paragraph 62 you submit that assets
27 and revenues of various other businesses and investments
28 should be taken into account in determining whether
29 or not a subsidy should be paid.
30



1 Would you also agree that if it is decided
2 that a subsidy should be paid, that such assets and
3 earnings from these assets should be taken into account
4 in determining the amount of the subsidy? You say
5 whether a subsidy should be paid, but would you also
6 agree that as a subsidy comes up from time to time, the
7 non-rail earnings might be taken into account in deter-
8 mining the amount?

9 A. I would think so.

10 Q. Thank you.

11
12 CROSS-EXAMINATION BY MR. ALLEY:

13 Q. Mr. Gleave, you have several paragraphs dealing with the bur-
14 den borne by the prairie farmers, and I think you mentioned it
15 in paragraphs 5, 25, 43, 51 and 56, and do I understand
16 you correctly to say that you are not asking now for any
17 relief against that burden?

18 A. You mean, in the way of freight?

19 Q. Reductions in freight rates, for instance?

20 A. It is not so mentioned in this brief.

21 Q. No, it isn't, but that is what I want to
22 know, if that is your policy. Look at paragraph 25.

23 A. Well, -- I am sorry I interrupted you.

24 Q. I was going to say that there has been
25 frequent reference here to the cost squeeze borne by
26 the prairie farmers, and that last sentence has par-
27 ticular reference to such a cost squeeze. Now, as a
28 matter of policy, do you not wish any relief against
29 other freight rates?

30 A. Well, Mr. Chairman, we have opposed every



1 freight rate increase that has been made in the last
2 several years, and with a notable lack of success, and
3 we don't seem to have any luck in this. We have tried
4 to prevent the increases as they came along. I think we
5 must have come to the conclusion that it was hopeless.

6 Q. But, for this Commission do you now say
7 as a matter of policy that you don't want relief against
8 these increases?

9 A. Against the increases which we have ex-
10 perienceed? Yes, we would very much like to have some
11 relief from them if we could.

12 Q. If this Commission were to come to the
13 conclusion that there was to be a subsidy, do you feel
14 that the subsidy should be applied in reduction of the
15 present freight rates; that is, the rates you refer to
16 in those paragraphs?

17 A. If it were possible, we hope the rates
18 would be reduced. Our primary first interest is in
19 maintaining the present grain movement.

20 Q. I understand that.

21 A. If we could get further relief towards
22 incoming freight and other movements, we certainly
23 would be very grateful.

24 CROSS-EXAMINATION BY MR. MAURO:

25 Q. Mr. Gleave, my name is Mauro and I
26 represent the Government of the Province of Manitoba.
27 My learned friend Mr. Dickson referred indirectly to
28 a scheme proposed by the Province of Manitoba concerning
29 the branch line policy.
30



1 It is generally accepted that there are certain
2 branch line operations that result in considerable
3 deficits for the Canadian railways, and under our
4 system of rate making any burden on the railroad be-
5 comes a burden on the freight shipper, because they
6 (the railways) must obtain their financial requirements
7 from the freight shipper.
8

9 The Province of Manitoba has suggested that
10 if the branch lines presently operating at a deficit
11 are determined to be in the public interest, that an
12 amount covering the cost of that maintenance on that
13 trackage be paid out of a fund to the railway in question.
14 Now, would the Saskatchewan Farmers' Union be in favour
15 of such a scheme?

16 A. I couldn't -- I certainly wouldn't feel
17 that I could endorse it here and now. Certainly we
18 would have to examine it a great deal more. I think
19 that there is more than just simply profit and loss, and
20 there are some circumstances under which you would
21 work a very, very considerable hardship, and I couldn't
22 endorse it offhand.

23 Q. The policy that we envision is an attempt
24 not to work a hardship, but also to be, perhaps, fair
25 to the other freight shippers on the railways, and I
26 assume that the Saskatchewan Farmers' Union would be
27 in favour of any such scheme, which would result in
28 easing the burden on the freight shippers in the Province
29 of Saskatchewan?

30 A. We would like to ease our burden all right,



1 but couldn't say here that we accept their support.

2 Q. Of any particular scheme?

3 A. That is right.

4 Q. But as I say, if a scheme based on the
5 national interest were directed towards easing the
6 burden of freight shippers, the Saskatchewan Farmers'
7 Union would be in favour of such a scheme?

8 MR. TALLIS: He has already said three times
9 that he couldn't answer.

10 THE WITNESS: You understand, if I may say
11 this, Mr. Chairman, that our policy of the union is
12 not my policy. It is the policy of our executive
13 and board of directors, and I don't want to hang myself
14 on a hook here.

15 THE CHAIRMAN: You wouldn't endorse any par-
16 ticular scheme?

17 MR. MAURO: Q. I want to make that clear,
18 that despite what my learned friend tried to suggest,
19 I am not trying to back you into any corner, and that
20 is why I said "in general" because I don't want you
21 -- and I know you can't -- endorse any specific scheme,
22 but it is simply for the assistance of the Commission
23 that I wanted to know whether the Saskatchewan
24 Farmers' Union would in general support a scheme
25 that was directed towards lifting the burden from
26 the freight shipper?

27 A. Well, that is a generality, and the first
28 thing you posed was a question in particular, and as
29 far as we are concerned, if the Commission should
30



1 present your proposal to us as a farmers' union and say
2 to us, "What do you think?" we will consider it and
3 give them our opinion as an organization. I would
4 prefer to do it that way.

5 Q. Mr. Gleave, you have referred in your
6 brief to this matter of remunerative traffic being lost
7 to trucks. Now, there is, in fact, in this country
8 a number of transportation media which compete; there
9 is air transport, transport by water, transport by
10 pipe line and transport by highway, and the province
11 of Manitoba has suggested that a national board be
12 established to direct research and look into this
13 problem of bringing about more efficient utilization
14 of transportation media in the Dominion of Canada, and
15 I wonder if the Saskatchewan Farmers' Union is in
16 support of such a scheme?

17 A. Well, I think this Commission that we
18 are presently appearing before is in the nature of a
19 research body, in that they are investigating in
20 particular the railroads, and I would think that -- and
21 this paragraph you refer to, of course, is in this
22 line, that we should look into what is happening in the
23 relation of one transportation system to another and
24 see how it affects it, and I would think that research
25 into these matters would be very worth while.

26 Q. As a continuing thing?

27 A. Yes.

28 Q. Rather than intermittently by royal
29 commissions?
30



1 A. Yes.

2 Q. Then, this matter of the subsidy on
3 statutory grain or grain moving under the statutory
4 rates, my final question -- I want to make sure I
5 understand your question, because we have farm organiza-
6 tions in Manitoba, too -- as I understand it, the
7 Saskatchewan Farmers' Union says there is in existence
8 a binding agreement made in 1897 and varied in 1925;
9 is that correct?
10

11 A. Yes, that is our position.

12 Q. And that you are satisfied, as farmers
13 in the Province of Saskatchewan, with the terms of that
14 agreement in so far as they presently exist regarding
15 the movement of grain and grain products?
16

17 A. That is right.

18 Q. And that if the Canadian Pacific Railway
19 is unable to meet its obligations under that contract,
20 any subsidy that is necessary should be paid to the
21 Canadian Pacific Railway?
22

23 A. That is right.

24 COMMISSIONER ANSCOMB: What about the
25 Canadian National Railways?
26

27 MR. MAURO: I think the Canadian people are
28 paying a pretty fair subsidy to the Canadian National
29 Railways as it is.
30

CROSS-EXAMINATION BY MR. SINCLAIR:

Q. Mr. Gleave, my name is Ian Sinclair
and I represent the Canadian Pacific.

I notice on page 3 of your brief you state:



1 "The rate concessions made by the Canadian
2 Pacific Railway in accordance with the Crow's
3 Nest Pass Agreement were specific to a particular
4 region, to particular commodities and to par-
5 ticular movements of these commodities."

6 Now, Mr. Gleave, under the Crow's Nest Agreement the
7 level of grain rates there specified applied only to
8 the lakehead; did you know that?
9

10 A. They have since been made to apply.

11 Q. Yes, they have since been made to apply,
12 but under the agreement did you know they only applied
13 to the lakehead?

14 A. I think that answers your question.

15 Q. They now apply, Mr. Gleave, to (a) the
16 lakehead, (b) to Churchill, (c) to Prince Rupert,
17 Vancouver and other Vancouver satellites, and to
18 Victoria for export; that is right, is it not?

19 A. Yes.

20 Q. And under the Crow's Nest Agreement, Mr.
21 Gleave, the rates from branch line stations in many
22 cases were higher than main line stations equadistant
23 from the lakehead. Today you will agree that over the
24 mileage block the rates from branch lines and main
25 line points equadistant to export positions are the
26 same?

27 A. Yes, I understand.

28 Q. Did you understand and know, Mr. Gleave,
29 that the evidence before this Commission is that under
30 the Crow's Nest Agreement the level of Crow's Nest



1 grain rates applied only to 289 shipping points in
2 Western Canada, and today the statutory grain rate
3 level applies to 2600 and some odd shipping points?

4 A. I would think this was to the advantage
5 of the railways.

6 Q. I am asking you, no matter to whose
7 advantage it is, did you know that?

8 A. No, not until you quoted the figures.

9 MR. BLAIR: May I make this observation:
10 as counsel we are not here to quarrel with hypothetical
11 facts and contractual provisions, and if this is before
12 the Commission we have no quarrel with it and we are
13 not quarrelling with it today. I am not here to
14 interfere unduly with my learned friend's cross-
15 examination, but I merely want to make that observation,
16 that these statements are being put to the witness,
17 he doesn't profess to be an expert in these matters,
18 and all this information is before the Commission;
19 we have not questioned it.

20 THE CHAIRMAN: Thank you. As I understand
21 it, you qualify Mr. Gleaves as a farmer and not as an
22 historian or lawyer?

23 MR. BLAIR: That was my very point. As I
24 say, I am not suggesting that my learned friend is not
25 quoting these things accurately. I am satisfied that
26 they are already before you and we are not quarrelling
27 with them.
28
29
30



1 MR. SINCLAIR: Q. Mr. Gleave, under the
2 Crow's Nest Pass Agreement certain specified rates
3 applied to certain specified commodities from cer-
4 tain specified stations to certain specified stations
5 that no longer are in effect. Did you know that?
6

7 A. Yes.

8 Q. Did you know that the rates on those
9 commodities were adjudicated and put on a just and
10 reasonable level by the Board of Transport Commissioners;
11 did you know that?

12 A. On which commodities?

13 Q. The westbound commodities.

14 A. I don't think I am aware of the particular,
15 shall we say, procedure from Parliament to the Board of
16 Transport Commissioners, and the particular train of
17 action. I know that they were there -- that we had
18 that protection, and that we no longer have it.

19 Q. You have the protection of the Railway
20 Act on those rates?

21 A. I am aware of the size of that protection,
22 too, by the products that come to me.

23 Q. Now, Mr. Gleave, could it be correct
24 to say -- I think this has been the basis of your evi-
25 dence -- that what the Saskatchewan Farmers' Union
26 wishes is that the statutory rates on grain now existing
27 remain at their present level under the control of
28 Parliament?

29 A. Yes.

30 Q. You are not suggesting that the Crow's Nest



1 Pass Agreement of 1897 be restored?

2 A. I think you might say that this whole brief
3 is written and designed to maintain the position we
4 presently now have.

5 Q. You don't want to go back to the situation
6 that existed under the agreement; you want to maintain
7 the existing situation; is that right?

8 A. Well, the existing situation in respect
9 to the Crow's Nest Pass rates on grain, yes.

10 Q. On page 2 of your brief, Mr. Gleave, you
11 state that it appears to the Saskatchewan Farmers'
12 Union that the Crow's Nest Pass grain rates have been
13 attacked in particular by the Canadian Pacific and
14 the Canadian National railways as an inequity in the
15 Canadian freight rate structure. You go on to state
16 that your union take strong exception to this approach
17 because it completely ignores the historic national
18 approach to railway rates on the movement of one of
19 Canada's most vital export commodities, namely grain
20 and grain products.

21 Now, Mr. Gleave, my question would be: could you
22 assist the Commission by telling them how a Saskatchewan
23 farmer could be hurt if the existing level of grain
24 rates were maintained under the control of parliament,
25 and any difference between that level and what may be
26 deemed to be just compensation for the service per-
27 formed became an obligation -- a national obligation --
28 to be paid by the people of Canada?

29 A. Well, the reason we take the stand that
30



1 we do in this matter is that we think such action would
2 put the question of the subsidies into the political
3 arena. Now, such a subsidy would become a matter
4 within the political arena, and we think that our
5 position would be very weak.
6

7 Q. What you fear is that you might be hurt
8 in the future; that some government might change the
9 statute?

10 A. Change what statute?

11 Q. A statute that provided that grain rates
12 were to continue as they are today, at their existing
13 level, under the control of parliament; then, any
14 difference between that level which would be paid by
15 the farmer and a level that might be adjudicated to be
16 just compensation to the railways for the work performed
17 -- your fear would be that that statute some time in
18 the future might be changed; is that right?

19 A. In the first case -- the first instance
20 -- we do not agree the subsidy is necessary.

21 Q. Let's leave that aside. I understand
22 that. And, if you don't mind, would you assist the
23 Commission in dealing with the matter I have put. I
24 will do it again, if you don't mind.

25 A. Very good.

26 Q. What I am saying to you is that the fear
27 of the Saskatchewan Farmers' Union is that if a statute
28 today provided that the existing level of grain rates on
29 movements to export positions were maintained for pay-
30 ment of that level by the farmer, and that the statute



1 went on, any difference between that level which was
2 paid by the farmer as a level that would give the
3 railways just compensation for the service performed
4 would be a national obligation, and to be paid by the
5 people of Canada.

6 Now, you are afraid that statute providing
7 like that might some time in the future be changed.
8 That is what your fear is?

9 A. Well, it's not that simple, really, be-
10 cause if you at the present moment, within the next year,
11 establish a subsidy and you say this: supposing the
12 government says this is a subsidy to the western grain
13 farmer in respect to transporting grain. We are
14 already in a desperate economic situation. You had
15 1100 farmers who journeyed to Ottawa a year ago this
16 next March seeking financial assistance because of
17 their desperate economic circumstances, and the
18 government, up to now, has refused to act.

19 Then, sir, when you have this industry in
20 such a situation that it is asking the federal govern-
21 ment to give it some relief from the circumstances
22 that it is in, your situation becomes even more impos-
23 sible, you have any addition charged to it, so
24 many millions in respect to transportation of grain.
25 And for this reason, amongst others, we do not think
26 that it is justifiable. We do not think the farmers
27 should be charged that -- this additional subsidy.
28 We didn't ask for one; we asked for one on grain.
29 We didn't ask for one on freight rates.
30



1 Q. Well, Mr. Gleave, may I now ask you
2 again if your fear would be that a statute that pro-
3 perly protected the farmers' interest -- if your fear
4 would be that that type of statute would be changed
5 in the future? Is that the basic fear of the Farmers'
6 Union?

7 A. In the first place, it would not properly
8 protect the farmers' interest. In the second place, I
9 would consider it would be a very unstable situation.

10 Q. Well, now, if the Commission and people
11 who are skilled in drafting statutes did protect all
12 interests; did protect all interests under the law; that
13 would take care of your first objection, would it not?

14 A. Protect all interests under the law?

15 Q. If you protected all interests by a
16 properly drafted statute, then your first objection would
17 be taken care of; wouldn't it?

18 A. No.

19 Q. You don't think it possible to protect
20 the interests involved in this grain movement by statute?

21 A. I have had some experience with the atti-
22 tude of the press to these things.

23 Q. The attitude of the ---

24 A. The public press. And, then, when you
25 at times have a standard grain payment that comes to
26 farmers as a result of grain sold, the eastern press
27 often leaves it with the impression that this is a
28 handout from the government.

29 Q. What does the western press do?



1 A. The western press prints the facts.

2 Q. In every case, Mr. Gleave, I am asking
3 you does the western press print the facts?
4

5 A. They would in this particular matter, sir.

6 Q. That isn't my question. My question is
7 are you saying that the western press prints the facts
8 in every case?
9

10 A. Well, you are asking me to make a pretty
11 large statement.

12 Q. In every case that has come to your atten-
13 tion?
14

15 A. You are asking me if the western press
16 prints the facts in every case?
17

18 Q. That has come to your attention?
19

20 A. How do you expect me to know this? I
21 cannot verify this story and that story. If they say
22 John Brown slew his wife on the road last night, I have
23 no way of knowing.
24

25 Q. Have you ever been involved in a thing
26 that you did not think the western press properly reported
27 all the facts, Mr. Gleave?
28

29 A. It may have happened at some point.

30 Q. Now, would you come back, then, and see
if you can answer this question that I have been asking
you to answer for the benefit of this Commission. And
now, you have had time to think it over, and that is,
are you stating that statutory provisions cannot be
drawn so as to adequately protect all interests in the
movement of western grain?



1 A. No, I am not stating anything in respect
2 to statutory. I am saying that I do not -- as a union,
3 we do not want the western farmer to be in the position,
4 either now or in the future, of being charged with a
5 subsidy on the movement of grain. This is what I am
6 saying.

7
8 Q. But, if, as a fact, Mr. Gleave, the
9 remuneration received by the railways for the movement
10 of grain at the statutory rate is not sufficient to
11 give a just remuneration for the service performed, how
12 else can it be regarded but an obligation of the
13 people of Canada to the western grain grower? How else
14 can it be regarded?

15 A. Well, you haven't yet established this.

16 Q. If you do establish it, then, how else
17 can it be regarded?

18 A. It could be regarded in various ways.
19 As far as we are concerned, some of the other assets,
20 and we say so in this brief.

21 Q. Never mind about that, I will come to
22 that.

23 MR. TALLIS: Just a minute, Mr. Chairman, I
24 submit if the witness is speaking my friend is not
25 entitled to interject.

26 THE CHAIRMAN: Go ahead, Mr. Gleave.

27 THE WITNESS: What we are saying and what we
28 have said is that this was originally a contract, and
29 that for doing certain things the C.P.R. received certain
30 benefits, and they took part in the development of this



1 country. And we are saying, and we have said here,
2 that the simple fact of economic or a cost statistic
3 in the movement of grain is not in itself the whole
4 answer.

5 MR. SINCLAIR: Q. Leave aside the historic
6 background ---

7 A. I cannot, sir.

8 Q. I am asking you this: if proper weight
9 is given to that, then -- therefore, we can leave it
10 aside -- if proper weight is given to it and thereby
11 we leave it aside; and, as a result of the investiga-
12 tions that are made and the considerations that are
13 given, it is determined that the railways are not,
14 by charging the farmer the fixed statutory rates for
15 grain, receiving just compensation for the movement of
16 grain and something should be done about making up
17 the difference, how else can it be regarded than a
18 national obligation to the western grain growing indus-
19 try? How else?

20 A. Well, I have said before, in our opinion,
21 for the reasons we have mentioned, any subsidy should be
22 a subsidy on the operation as a whole. It is equally
23 important to the ports of Vancouver and Montreal and
24 Fort William that wheat moves, as it is to me that it
25 moves.

26 Q. Quite so. Then, it is an obligation
27 of the people of Canada; it is a national obligation for
28 that segment of the economy that is made up by western
29 agriculture?
30



1 A. And these other places which I have
2 mentioned to you, repeatedly.

3 Q. They are going to pay it; that is why
4 they are going to pay it, and don't you agree they
5 should pay it?

6 A. The people of Canada?

7 Q. Yes.

8 A. If, as you say here -- let me quote here
9 the fact which we say is we are opposed to any change
10 in the Crow's Nest rate. We are opposed to a subsidy,
11 but if a subsidy is to be paid, it should be dealt with
12 on a national basis. We have stated this.

13 Q. And so that your answer to my question
14 is that it should be recognized as a national obligation
15 to pay whatever deficiency there is?

16 THE CHAIRMAN: That is what he says.

17 THE WITNESS: If the Commission so decides --
18 a national obligation to the C.P.R.

19 MR. SINCLAIR: Q. Mr. Gleave, I am going
20 to read you the segment, a section from the Duff Report.
21 I have done this before, and had other people give
22 their views on it.

23 This is the Duff Commission. You are familiar
24 with the Duff Commission? I will let you read this
25 after. This is a report of the Duff Commission
26 on Railways and Transportation in Canada, 1931-1932. I
27 will read to you paragraph 25 of the report, on page 12:

28 "As a result, the Canadian Pacific Railway
29 Company, the largest taxpayer in Canada, has been
30



1 THE CHAIRMAN: What is your question, Mr.
2 Sinclair?

3 MR. SINCLAIR: I am letting him read it first,
4 Mr. Chairman.

5 THE CHAIRMAN: Well, so that he will know
6 what he is required to answer ---

7 MR. SINCLAIR: I am going to ask him, would
8 he agree with it.

9 THE WITNESS: You want to know if I agree
10 with all this?

11 MR. SINCLAIR: Q. Yes.

12 A. Well, I don't know how much profit they
13 brought to their shareholders. I would say it is im-
14 portant to the Dominion; it is an asset of the C.P.R.
15 and not the nation. I don't know whether it made a
16 profit. You say they had honourably discharged their ---

17 Q. I didn't say that. Lyman Poor Duff
18 said that.

19 A. Yes. I don't know if we would go along
20 with that. It is not discharged. It is a continuing
21 obligation, so I don't think I would fully endorse
22 that particular statement. It indicates it has been
23 discharged, and I think it is a continuing thing.

24 Q. Do you happen to know who the gentleman
25 was who was the Chairman of that Commission?

26 MR. TALLIS: Well, now, Mr. Chairman, I don't
27 want to be jumping up and taking exception all the time,
28 but it seems to me this witness is entitled to disagree
29 with a man no matter how eminent he is, and I don't see
30



1 the point of that question.

2 THE CHAIRMAN: Did you know Judge Duff?

3 THE WITNESS: Well, Mr. Chairman, counsel
4 has his privileges, but I don't think -- and you can
5 correct me if I am wrong -- but I don't think that
6 includes reading passages from a book.

7 THE CHAIRMAN: Well, did you know Judge Duff?

8 THE WITNESS: No, I didn't.

9 THE CHAIRMAN: Well, that is it.

10 MR. SINCLAIR: Q. Did you know his position
11 among the people of Canada and his acknowledged position
12 as a jurist and barrister?

13 MR. TALLIS: Well, Mr. Chairman, once again---

14 THE CHAIRMAN: I think that Mr. Tallis would
15 admit he is one of the greatest jurists we ever had.

16 MR. TALLIS: I don't question his ability or
17 status at the bar or on the bench.

18 THE CHAIRMAN: Mr. Tallis would know more
19 about him than Mr. Gleave.

20 MR. SINCLAIR: Q. Mr. Gleave, every politi-
21 cal party since 1881 that has formed the government of
22 Canada has expressed a preference for the continuation
23 of the Canadian Pacific as a private enterprise. Would
24 you agree with those statements of government policy?

25 A. Well, I don't know what -- I think it is
26 probably a matter of record that every government from
27 this time has permitted it to continue and left its
28 act of incorporation inviolate. I don't think this
29 implies approval of all its operations. The fact that
30



1 they leave me on my farm does not mean they approve of
2 me. I may be the worst deadbeat in Saskatchewan, but
3 they still leave me there.

4 Q. Well, I say to you, every government,
5 every party that has formed the government of Canada
6 since 1881 has expressed a preference for the maintenance
7 of Canadian Pacific as a private enterprise, and I asked
8 you, did you agree with this approach?

9 A. Do I agree with . . .?

10 Q. Yes.

11 A. Well, I think our brief says differently.

12 Q. You think your brief says differently?

13 A. I think so.

14 Q. Is that your answer?

15 A. What you want to know is whether or not I
16 agree that the C.P.R. should remain a private corporation.
17 Frankly, I am not too clear on just what ---

18 Q. Well, let me put it to you just as bluntly
19 as that: do you think that Canadian Pacific should re-
20 main as a private enterprise?

21 A. Well, then, I would answer you just
22 exactly as we do here: we are not advocating nationaliza-
23 tion for nationalization's sake, but if it is necessary
24 in order to maintain our economic position in the West
25 that it be nationalized, we are in favour of it being
26 nationalized.

27 Q. If it is necessary to maintain your
28 economic position in the West, that is, that freight
29 rates on grain remain where they are?
30



1 A. That is right.

2 Q. And that other rates be kept as low as
3 good railway management can keep them?

4 A. That is right.

5 Q. You make reference to the obligations, to
6 the considerations -- and this is on page 4 of your
7 brief -- received by Canadian Pacific for the obliga-
8 tions it undertook in building a railway to the Pacific
9 coast, and undertaking to complete that railway within
10 a specified time. The point I was going to ask you was
11 this: did you know that the Government of Canada
12 attempted to secure a syndicate to build that Pacific
13 railway and get them to sign a contract with the con-
14 sideration flowing from the Dominion to the syndicate
15 being 50 million acres and all the minerals they con-
16 tained, and they could not get a syndicate to undertake
17 the job. Did you know that as a fact of Canadian
18 history?
19

20 A. I couldn't quote you all of the stuff out
21 of my head, but I do know there were protracted negotiations
22 and that there were one or two attempts that didn't
23 come off.

24 Q. Did you know there was one offer of 50
25 million acres and all the minerals they contained, and
26 the syndicate to which the offer was made would not
27 accept the responsibilities: did you know that?

28 A. Well, I will accept your statement.

29 Q. Notwithstanding the language that I quoted
30 you from the Duff Commission Report -- and you will



1 acknowledge also that there were substantial risks in
2 trying to build the railway in 1881 within a short
3 period of years throughout this country; you would
4 acknowledge that?

5 A. Well, there were risks involved in all
6 the settlement of this country. My father was broke
7 within three years after he got here.

8 Q. There were risks on everybody's part that
9 came to Western Canada?

10 A. Yes.

11 Q. And that should be acknowledged by all?

12 A. Well, I would think in all honour you
13 would have to acknowledge it.

14 Q. Well, I am going to thank you for that
15 thought and ask you this: in view of the risks under-
16 taken by these people -- all the people who came to
17 Western Canada -- do you think it is proper to refer to
18 them as "wealth of patronage and privilege"?

19 A. Which page are you referring to, sir?

20 Q. Page 6, paragraph 18 -- "wealth of
21 patronage and privilege"? What do you mean by that?

22 A. Well, they had the privilege of building
23 the road.

24 Q. Was that a privilege or a risk?

25 A. That, sir, was a privilege.

26 Q. Was it a privilege or a risk to have to do
27 it in a stipulated period of time to specifications laid
28 down and to take their chance on being able to get
29 traffic. Was that a privilege or a risk?
30



1 A. We all take our chances.

2 Q. I am asking you ---

3 A. It was both.

4 Q. It was both a privilege and a risk?

5 A. That is right.

6 Q. And would you say that the considerations
7 paid to receive the syndicate's consent to the obliga-
8 tions imposed -- was that patronage?

9 A. I would say there was some patronage in-
10 volved in that the government was the patron of the
11 C.P.R.

12 Q. Oh, it is in that sense you use it?

13 A. That is right.

14 Q. It is something that is honourable and
15 fine?

16 A. We didn't come here to abuse and dis-
17 honour the C.P.R. We came here to fight for the
18 farmers.

19 Q. That is right. Now, I want to ask you
20 this, and this is the thought that came to me arising
21 out of what you have to say: when a homesteader com-
22 pletes his contract and thereby gets a patent to his
23 land and the minerals contained under that patent,
24 do you consider that those minerals that that home-
25 steader received from the letters patent issued by
26 the Crown would be patronage and privilege?

27 A. Part of the contract.

28 MR. TALLIS: I would take exception to this
29 line of questioning, Mr. Chairman. I must apologize
30



1 for jumping up.

2 THE CHAIRMAN: I must sustain you there. I
3 think, Mr. Sinclair, that might be very much a question
4 of law.

5 MR. SINCLAIR: I bow to the Commission's
6 ruling. I thought it would be a question of fact, but,
7 of course, the Commission having ruled, that is the end
8 of the matter as far as I am concerned at this time.

9 Q. Mr. Gleave, do you think that the special
10 provisions of the Income Tax Act applicable to farmers
11 and ranchers is a matter of patronage and privilege?

12 MR. TALLIS: What sections are you referring
13 to?

14 THE WITNESS: What are you referring to?

15 MR. SINCLAIR: Q. I have in mind such
16 matters as spreading the income over a number of years
17 and equalizing and averaging, and I have in mind also
18 the question of certain allowances for work done by
19 families on the farm -- matters of that kind.

20 Do you think in recognizing those things, by
21 virtue of law and the Income Tax Act, that the government
22 might be said to be exercising patronage and privilege
23 towards the farmers?

24 MR. TALLIS: Once again, my submission is
25 that that is completely irrelevant to the purposes of
26 this inquiry. I don't know what more I can say about
27 the questions being put. I am embarrassed at having
28 to get up and raise the objections.

29 THE CHAIRMAN: I think, Mr. Sinclair, that you
30



1 must keep in mind that while Mr. Gleave is president
2 of the Farmers' Union he is a farmer and not an historian,
3 lawyer or expert in any way. I think it would be un-
4 fortunate for Western Canada if our hearings were to be
5 on the basis where there would be any feeling as between
6 the C.P.R., as a railway, and the farming community.

7 MR. SINCLAIR: I certainly do too, sir.

8 THE CHAIRMAN: That would be unfortunate.

9 MR. SINCLAIR: That is the ruling of the
10 Commission -- that I am not to put the question?

11 THE CHAIRMAN: I would prefer you not put it.

12 MR. SINCLAIR: I take that as a ruling, and I
13 bow to it.
14

15 Q. Now, Mr. Gleave, at page 7 of your brief,
16 paragraph 21, you list what your organization considers
17 to be the objectives of the government in entering into
18 the Crow's Nest Pass Agreement with the Canadian Pacific,
19 and I don't want to take you through them all. I just
20 want you to specifically look at No. 5. You say there
21 that one of the objectives was the acceptance of the
22 Canadian Pacific Railway of the principles of government
23 rate control in the national interest. Did you know
24 that at that time Canadian Pacific by statute had the
25 right to earn 10 per cent return annually on the capital
26 expended on the railways?

27 A. No.

28 Q. You didn't know that -- well, you said it
29 in the brief at another place, but you had forgotten --
30 that is what you meant? You refer to the fact that one of



1 the things that Canadian Pacific took was less than
2 railways generally ---

3 MR. TALLIS: What paragraph are you referring
4 to in your last reference?

5 MR. SINCLAIR: Where you refer to what was
6 done by the Canadian Pacific. You said it took less
7 than the railways generally. Do you remember where you
8 said that?

9 MR. TALLIS: I can't recall any reference to
10 ten per cent.

11 MR. SINCLAIR: Oh, no. My friend can find
12 it, I am sure.

13 THE WITNESS: I know the phrase you refer to,
14 but it does not refer to ten per cent.

15 MR. SINCLAIR: Q. No, but the fact is that
16 at that time railways were generally entitled to 15 per
17 cent, but under the contract the Canadian Pacific Railway
18 was stated to have the right to earn ten per cent
19 annually on the capital expended on railway?

20 A. So have I, but I don't make it.

21 Q. Neither does the Canadian Pacific, but I
22 don't have to tell you that. However, I am asking
23 you, did you have that in mind, that that provision,
24 that right to earn 10 per cent remained, notwithstanding
25 the provision that when a rate control body was set
26 up certain rates on certain parts of the railway would
27 come under the jurisdiction of that body? Did you
28 realize that?

29 A. Did I realize that at some time ---
30



1 Q. That it still had the right to make 10
2 per cent annually from the railway as a whole, before
3 there could be interference even though under the
4 agreement of the Crow's Nest of 1897, rate control was
5 to apply only to a portion of the Canadian Pacific Rail-
6 way?

7 A. Yes.

8 Q. Now, when you had No. 5 on page 7 of these
9 objectives in mind, and when you wrote that, how far
10 was rate control established in the future under the
11 Crow's Nest Pass Agreement -- do you know? How much
12 of the Canadian Pacific Railway was it to be applied to?

13 A. At this time?

14 Q. Yes.

15 A. Merely in the West, as I understand it,
16 and in the Maritimes.

17 Q. Let me suggest to you, Mr. Gleave, that
18 it was to apply only on local traffic on the Crow's Nest
19 line, and lines south of the main line of the Canadian
20 Pacific in British Columbia, and traffic to and from
21 that railway and no further. Did you know that?

22 A. Well, you have just informed me.

23 Q. If you had known that you might not have
24 written this in quite the way you did -- correct?

25 A. Well, I wouldn't say that. It might be so.

26 Q. Now, this is a rather interesting point
27 from my standpoint, and I am referring to page 9 of your
28 submission and to the marketing bill which you refer to
29 there. You talk about the marketing bill arising from
30



1 the food products as determined by the Royal Commission
2 on Price Spreads. I haven't checked this, but I accept
3 this, subject to check, and you say there is an increase
4 in this marketing bill of food products from 900 million
5 in 1949 to 2,243 million in 1958, and I have calculated
6 that to be an increase of 149 per cent. In paragraph
7 30, which is on the next page of your submission, you
8 talk about the total transportation factor as it was
9 also determined by that Commission, and once again I
10 accept your figures, subject to check; but, you show
11 that increase of the marketing bill referable to
12 transportation to be 109 million in 1949 to 245 million
13 in 1958, and I calculate that as an increase of 125
14 per cent. Accepting my calculation, do you think it
15 is of significance that the transportation sector of
16 the increase in the marketing bill was 25 per cent less
17 than the total increase?
18
19
20
21 -
22
23 -
24
25
26 -
27
28 -
29
30



1 A. Well, it is rather difficult to know.
2
3 As you know also, from the studies of the Commission,
4 there has been in the handling of food a great deal
5 more packaging, a great deal more of putting it into
6 small packages, and a lot of gimmicks, such as your
7 give-away stamp thing, and those sort of things, so I
8 really wouldn't know how you would make a relationship.

9 Q. What did you have in mind in putting
10 this material before the Commission, to show that
11 marketing costs had gone up substantially?

12 A. Yes.

13 Q. And no other reason?

14 A. To show both marketing and rates have in-
15 creased.

16 Q. But you had not considered the inter-
17 relation of that to the fact that marketing had gone up
18 25 per cent more than transportation?

19 A. It wasn't our intention to present any-
20 thing like that; it was to show that this increase had
21 taken place in that time.

22 Q. If you had 40 per cent of your money in
23 the Toronto-Dominion Bank and the balance of your money
24 was in numerous other banks, would you focus your
25 major attention on the financial stability of the
26 Toronto-Dominion Bank?

27 A. I never worry about the money I got in
28 the bank; what I worry about is what I have got on the
29 farm. It is safe if it is in the bank.

30 Q. It is safe if it is in the bank if the



1 bank is financially sound, you would agree; is that
2 right?

3 A. Yes.

4 Q. That is right. If the bank isn't
5 financially sound then the money isn't safe, is it?

6 A. That is right.

7 Q. And so therefore if you had 40 per cent
8 in the Toronto-Dominion Bank or in the Imperial Bank or
9 in the Bank of Montreal or the Bank of Commerce, then
10 you would certainly focus your major attention on the
11 financial stability of where you had that money, would
12 you agree?

13 A. Yes, I can concede that.

14 Q. Mr. Gleave, if a government bank was
15 established, and not only did it not pay any interest
16 on your savings account, but charged you a fee for
17 holding your money in the savings account, you would
18 suggest that all banks in Canada should be nationalized
19 and that there should be one big bank?

20 A. Well, we haven't made any particular
21 recommendations about the banks.

22 THE CHAIRMAN: You are trying to become a
23 banker now, too, Mr. Sinclair?

24 MR. SINCLAIR: No, I am just trying to find out
25 how far ---

26 MR. BLAIR: We will end up with the Canadian
27 Pacific Railway employing him yet!

28 MR. SINCLAIR: Would the Commission like to
29 take it that they are ruling these questions are not to
30



1 be put to the witness?

2 THE CHAIRMAN: Oh, go ahead, Mr. Sinclair.

3 MR. SINCLAIR: Q. Mr. Gleave -- pardon me,
4 Mr. Commissioner Platt, did you ask something?

5 COMMISSIONER PLATT: Go ahead.

6 MR. SINCLAIR: Q. Mr. Gleave, do you think
7 that railway labour should be paid at the same rates
8 today as they received in 1899; does your union think
9 that?

10 A. Well, we don't particularly concern
11 ourselves with what labour received in comparative years.
12 I would say that it would be impossible for a person
13 to live today on what they got at that particular time.

14 Q. Now, on page 17, paragraph 48, and also
15 in paragraph 61 and also in paragraph 70, you deal with
16 certain non-rail activities of the Canadian Pacific
17 and, for instance, in paragraph 48 you refer to the
18 fact that in 1959 Canadian Pacific incurred losses in
19 the operation of steamships, air lines and hotels.

20 Is it the position of the Farmers' Union of
21 Saskatchewan that if the railways are to consider all
22 aspects of their business as whole, that if under the
23 circumstances that existed, to which you had reference,
24 where there were losses in steamships, air lines and
25 hotels, that the Farmers' Union would support an
26 immediate increase in freight rates to offset those
27 losses; is that your position?

28 MR. BLAIR: I think that my learned friend is
29 taking a paragraph completely out of context, because I
30



1 think if you read the other paragraphs there it ties
2 it in. I don't want to handicap him in his cross-
3 examination.

4 MR. SINCLAIR: You can't handicap me.

5 MR. BLAIR: I would gather so.

6 MR. SINCLAIR: So go ahead.

7 MR. BLAIR: It appears to me that when you
8 take a paragraph like that out of its context, my sub-
9 mission is that it is not fair to the witness. Now,
10 I merely point that out to the Commission, and I bow
11 to your ruling on matters of this kind, but I think
12 there ought to be ---

13 THE CHAIRMAN: What was the question again?

14 MR. BLAIR: There should be some restriction
15 on this type of thing.

16 MR. SINCLAIR: Q. I am asking, Mr. Gleave,
17 whether if all railway assets, both in the railway busi-
18 ness and the other businesses, were considered as a whole,
19 and as you have said there was a loss in 1958 in
20 steamships, a loss in hotels and a loss in air lines,
21 would the Farmers' Union of Saskatchewan in the light
22 of that support a general increase in freight rates to
23 offset these losses?

24 A. What we are saying here in the first in-
25 stance is it would merely appear to indicate that the
26 whole structure should be looked at, and we haven't
27 anywhere in the brief agreed to a general increase in
28 freight rates. We have offered, as I say, the three
29 possibilities: no increase in freight rates, and if the
30



1 Commission so recommends a subsidy in the operations as
2 a whole -- I don't think we have offered the suggestion
3 of increased freight rates anywhere, have we?
4

5 Q. No, but let me suggest that you did state
6 that all assets in the non-railway business should be
7 taken into the railway business, and my question to you
8 is this, and if your recommendation was carried out and
9 as happened in 1958 where losses were in air lines and
10 steamships and in hotels to the Canadian Pacific, would
11 the Farmers' Union support an increase in freight rates
12 for that reason?

13 A. Not necessarily, no.

14 Q. Now, Mr. Gleave, in your recommendation
15 No. 5 at page 26, which is in somewhat different language
16 than your recommendation in paragraph 73; these are
17 the paragraphs in which you refer to nationalization,
18 and which paragraph do you wish to have the Commission
19 deal with, the way you put it in paragraph 73 or the
20 way you put it in Recommendation No. 5 in paragraph 79?

21 A. I would say that 5 was the final recom-
22 mendation.

23 Q. And it overrides, then, paragraph 73?

24 A. I didn't say it would have to be over-
25 riding.

26 Q. I am suggesting they are in conflict?

27 A. Oh.

28 Q. Which one do you want, 5?

29 A. I am not making any choice. If you find
30 them in conflict or the Commission finds them in conflict,



1 then ---

2
3 Q. The purpose of your Union in your
4 general recommendation No. 5 in advocating nationaliza-
5 tion of the Canadian Pacific, is that so that it may be
6 integrated with the Canadian National, and the Farmers'
7 Union believes that as a result thereof, economic
8 benefit will be occasioned to the people of Canada;
9 is that correct?

10 A. I don't know whether economic benefit
11 would necessarily accrue or not. We don't say that
12 here. What we are actually saying is if it is not
13 considered possible by the Canadian Pacific Railway
14 itself, or the Commission, for the Canadian Pacific Rail-
15 way to continue under its present circumstances, well
16 then, this course should be considered.

17 Q. Now, you know, Mr. Gleave, that in 1958
18 Canadian Pacific from its railway operations paid income
19 taxes of some \$20 million, while at the same time
20 Canadian National paid no income taxes, and in fact
21 had a deficit of some \$50 million. That is common
22 knowledge, but did you know that in addition to the
23 deficits of the Canadian National Railways in the
24 last twenty-five years, hundreds of millions of dollars
25 of capital assets of Canadian National were written off.
26 Did you know that?

27 A. I know there were some.

28 Q. And did you know that the Government of
29 Canada borrowed money from the people of Canada and other
30 investors and loaned it to the Canadian National, and the



1 Canadian National were unable to carry that money, to
2 pay the interest, and as a result action had to be
3 taken so that that money, the interest, was written
4 off and that, indeed, some of the debt was written off;
5 did you know that?
6

7 A. That was my understanding.

8 Q. In the light of the facts that I have
9 just discussed, do you think that under control by the
10 people of Canada instead of the Canadian Pacific
11 management the same history might be expected for the
12 Canadian Pacific?
13

14 A. Well, I don't know exactly what history
15 you would expect. I don't know if you can actually
16 compare the operations of the Canadian Pacific Railway
17 and the Canadian National Railways in all their ramifica-
18 tions and conclude that one is poorly run and the other
19 is well run which, of course, is what I take it you are
20 driving at.

21 Their origins were different; I think that
22 the Canadian National Railways at the beginning -- and
23 you may correct me if I am wrong -- was composed of a
24 number of railroads, and some of them were already
25 proceeding into the hands of receivers. I don't know
26 that I can fully accept your comparison.

27 Q. Let me give you another comparison, then.
28 We will take the British railway system; that was under
29 private management, and under a recent government in
30 Great Britain they were all nationalized and one big
railway was put into effect, an integrated railway to



1 be run by the people of Great Britain. In 1958 this
2 one big railway in Great Britain had a deficit of
3 approximately \$250,000,000.

4 COMMISSIONER GOBEL: Before it was national-
5 ized, do you know if there was a deficit or a surplus?
6

7 MR. SINCLAIR: If it was a deficit, sir, it
8 wasn't paid by the government, but as to a specific
9 answer to your question, I think they had some years
10 where they were not profitable and some years in which
11 they were.

12 Q. Did you also know, Mr. Gleave, that the
13 estimates for 1959 of the British railways are again
14 a very large ---

15 MR. BLAIR: Before you answer that, I take it,
16 Mr. Chairman, that this line of questioning has been
17 ruled relevant? I am in this unfortunate position ---

18 THE CHAIRMAN: The Commission doesn't want
19 to overrule Mr. Sinclair in his questioning, but really,
20 I don't see how he can expect Mr. Gleave to know the
21 answers to these questions, unless he is a much better
22 man than I think he is.

23 MR. BLAIR: I wasn't in attendance at the
24 Winnipeg hearings where this kind of questioning may
25 have been permitted by the Commission.

26 THE CHAIRMAN: We are not preventing Mr.
27 Sinclair from asking questions, but we cannot see any
28 purpose at the moment in them because we don't think
29 that Mr. Gleave can possibly know the answers, so it
30 is of no help to us.



1
2 MR.SINCLAIR: Then, very well; in the light
3 of the remarks of the Commission, let me ask Mr. Gleave
4 this.

5 Q. If as a result of an integrated, one
6 big railway, there were losses of hundreds of millions
7 of dollars that had to be paid by the people of Canada,
8 would that be a matter of concern to the Farmers' Union
9 of Saskatchewan? That was the purpose of my question,
10 and I must say that it was fairly obvious, but I am
11 sorry that I had not made it clear to the witness.

12 A. Well ---

13 Q. Perhaps now you have had a chance to
14 think about it?

15 A.. I think it would be of concern to anyone.

16 Q. Mr. Gleave, would you not agree that all
17 steps should be taken so as to make certain, as far as
18 one can, that that concern doesn't arise?

19 A. Well, I would agree; you want the greatest
20 efficiency and the least cost of operation you can get,
21 certainly.

22 Q. And the fairest freight rate structure
23 and the best management that is possible?

24 A. Yes. Let us have it all, if we are
25 going to be good to ourselves.

26 Q. Pardon?

27 A. Let us have it all.

28 Q. What is the other?

29 A. I said, if we are really going to create
30 a good situation or be good to ourselves, let us go for



1 the whole works.

2 Q. You say it is important for this Commission
3 to keep in mind good management, efficient operation,
4 fairness to all concerned and a fair freight rate
5 structure in all parts?
6

7 A. Yes.

8 Q. Thank you.

9 CROSS-EXAMINATION BY MR. MACDOUGALL:

10 Q. I have just one question. Mr. Gleave,
11 in paragraph 45, on page 16, you are referring there
12 to what you assume to be the railways' approach to
13 this Commission; that is, that they consider that the
14 grain rates are the inequity, and you say there:

15 "Members of this Association cannot under-
16 stand why the railways do not willingly deal
17 with the question of losses on passenger
18 traffic, branch lines, etc.,"

19 and is it your suggestion that the railways should be
20 more diligent in dealing with the question of losses on
21 passenger traffic and branch lines, or some other types?

22 A. Our idea in this was simply this, that
23 the general impression that we get as a result of the
24 press and other things is that the approach of the rail-
25 ways is largely to throwing emphasis on losses or to
26 the position that the Crow's Nest rates leaves them in
27 without much reference to the other.

28 Q. Perhaps you are not aware of the fact that
29 the only statements the railroads have made so far to
30 the Commission are on the one point of the Crow's Nest



1 rates; that they have given an indication that they
2 intend to make further and detailed submissions in
3 connection with passenger losses, branch lines and many
4 other matters of a more general nature; were you aware
5 of that?

6 A. No. I knew there were further submis-
7 sions.

8 Q. Your thought there in making that state-
9 ment was that perhaps the railways were just going to
10 bring up this one point, and that is all they were
11 interested in?

12 A. Yes.

13

14

15 -

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30



1 Q. And you aren't particularly worried at
2 the moment in connection with what the railways have
3 been doing in respect to dealing with the problem of
4 passenger lines or branch lines?

5 A. We would hope that they would bring out
6 the whole picture.

7 Q. You are probably familiar in Saskatchewan
8 with the fact that there has been a rather progressive
9 programme during the past few years -- I know in
10 Canadian National -- in reduction of train services
11 and in reduction of agencies considered not to be
12 required?

13 A. Yes.

14 Q. There have been quite a lot of agencies
15 at one point which have been reduced in Saskatchewan,
16 I think?

17 A. Yes, we have noticed the change in
18 services.

19 MR. MACDOUGALL: Thank you, Mr. Gleave.

20 THE CHAIRMAN: I think, Mr. Gleave, we shall
21 say to you that railways have been quite willing to tell
22 us they will bring in this question of passengers
23 and branch lines, both of them.

24 BY COMMISSIONER GOBEIL:

25 Q. To a question by Mr. Cooper about para-
26 graph 77, "nationalization", you said that you were
27 recommending to leave Crow's Nest rates as they are
28 now; is that right?

29 A. Yes.
30



1 Q. And you made somewhat the same answer
2 later on to Mr. Sinclair. One might be inclined to
3 believe that this is your only reason for asking for
4 nationalization, but that is not the only reason, is it,
5 that you have?

6 A. Well, as we say in the brief, we are not
7 asking for nationalization for nationalization's sake;
8 but, firstly, the reason we suggest this is to maintain
9 this level of transportation for the prairie region
10 because we think it is essential. If in the opinion
11 of the Commission they come along and they said this, if
12 they find no other -- if they come to the conclusion
13 that these two railroads operating individually cannot
14 effectively continue as they are, we would suggest
15 that.

16 Q. If we look at your brief, for instance,
17 paragraph 76, and paragraph 77 -- in paragraph 76 you
18 show that you recommend not only for Crow's Nest rates
19 but for national policy purposes and in paragraph 77
20 you show that you recommend that too, for a very im-
21 portant reason, which would be strict economy; isn't
22 that correct?

23 A. Yes.

24 Q. So that is already three reasons?

25 A. Yes.

26 COMMISSIONER GOBEIL: Thank you.

27
28 BY COMMISSIONER ANSCOMB:

29 Q. Well, I wonder, Mr. Gleave, if you would
30 agree with me on this. On your suggestion that all the



1 businesses of the Canadian Pacific Railway, and you
2 say any other railway, the profits or the revenues from
3 it should be taken into the setting up of a freight rate --
4 that is clear, isn't it?

5 A. Into the overall?

6 Q. Into the overall structure. In other
7 words, if there was a profit on hotels, or aeroplanes,
8 or submarines or canoes, that could reduce the rates
9 on general freight structure; that is what you want?

10 A. That is what is said, yes.

11 Q. Would you agree with me, then, if that
12 were done, and in view of the fact that the state railway
13 has no other assets worth while, in comparison with the
14 Canadian Pacific; in other words, that the reduction in
15 rate that would be forced by the Canadian Pacific would
16 have to be expected by the Canadian National, instead
17 of having a deficit of \$50 million, you have a deficit
18 of \$100 million. Am I clear on that? Do you agree
19 with that?
20

21 A. Well, if I understand you correctly,
22 what you are saying is you might arrive at a freight
23 rate on the Canadian Pacific Railway which would be low
24 enough to force the C.N.R. to have a large deficit?

25 Q. I don't say you might; I say on your
26 supposition you would?

27 A. Well, it's a bookkeeping entry.

28 Q. Oh, bookkeeping entry. It is dollars,
29 my friend. Will you answer me? Am I right? It is
30 not theory; it is practice -- if the C.P.R. made a profit



1 which was not rail, and taken into their rail structure,
2 and had to reduce their freight rates accordingly, I
3 assume the Canadian National would some places run
4 parallel, will they, to do likewise; and, if so, and
5 when that was done, the Canadian National deficit must
6 be greater than it is this morning?

7
8 A. Well, I would say you were right.

9 Q. You would say that I was right?

10 A. In this train of thought, I would say it
11 sounds logical to me.

12 Q. I am not going to get into an argument,
13 because I think I could quite easily do that with you,
14 and have some fun -- we would both have some fun --
15 I just want to ask you this: you have been asked a lot
16 about nationalization. You speak quite clearly about
17 nationalizing the Canadian Pacific Railway so that they
18 can be integrated into one. Now, I happen to agree
19 with consolidations of any businesses that are operating
20 and cutting each other's throats, as a business man
21 would express it, and not making a profit. But, is
22 there any particular reason why the Canadian Pacific
23 should be nationalized with a company that is losing
24 \$50 million a year? Isn't there just as much logic,
25 or more logic, that the Canadian National should be free
26 enterprised and joined with a successful railway?

27 A. Well, you have heard of business amalga-
28 mations for a number of reasons. I don't know -- in the
29 first place, if you wish to sell the C.N.R. you would
30 have to find a fairly large sized buyer. But I think



1 your purpose in nationalization of the C.P.R., if you
2 choose to recommend it, would be in effect economies
3 as to operation as to scale. That is in places where
4 you have parallel transportation systems running for
5 a length of time ---

6 Q. I agree with you.

7 A. --- and where you do, and we are starting
8 out now in the area to run parallel transportation
9 systems by air.

10 MR. SINCLAIR: Did the witness say economies
11 of scale?

12 THE CHAIRMAN: Yes, he did.

13 THE WITNESS: And this would be your hope
14 to achieve economies with this type of eliminating cer-
15 tain ---

16 COMMISSIONER ANSCOMB: I am not arguing with
17 you on that. I am simply asking whether you could
18 not more successfully free enterprise the state-owned
19 C.N.R. than you could nationalize the free-enterprise
20 C.P.R. I am asking you quite bluntly, are you related
21 to socialism or free enterprise in the railways?

22 A. I am strictly a pragmatist. I am one of
23 the people in this day and age who has no particular
24 philosophy.

25 COMMISSIONER MANN: I have no questions, but I
26 want to congratulate you, Mr. Gleave, on having had the
27 honour of being placed in the position of being the
28 witness longest on the stand without interruption.

29 COMMISSIONER PLATT: Mr. Gleave, I hope that
30



1 honour remains with you until the close of this hearing.

2 MR. MACDOUGALL: Just before you close, Mr.
3 Chairman, I don't want Mr. Sinclair, who is perhaps a
4 little thin-skinned about the C.P.R., to think I am
5 not a little thin-skinned also. From our Canadian
6 National annual report there are some figures here, which
7 is an exhibit, with your permission, which indicates
8 we shouldn't think of the C.N.R. as being a railroad
9 losing \$50 million a year. I think that is unfair to
10 my client. Our annual report will show in the last
11 seven years, we had a profit figure -- in four of
12 those years a profit figure as high as \$35 million.
13 It shouldn't be thought of as a railway losing \$50
14 million a year. In 1958, that was the figure.

15 MR. TALLIS: I anticipate this session will
16 close, Mr. Chairman, and on behalf of the Saskatchewan
17 Farmers' Union I would like to thank you and the members
18 of the Commission for giving us this opportunity of
19 being heard, in spite of the pressure of time I know
20 you are under.

21 THE CHAIRMAN: Thank you, Mr. Tallis, and
22 thank you, Mr. Gleave, for having come here.

23 This is the last witness, and we will now be
24 ready to adjourn.

25 MR. DOHERTY: Before you do adjourn, may I
26 extend to you on behalf of the Saskatchewan Farmers' Union
27 and the various organizations that have attended here
28 our sincere thanks for holding these sittings in Regina.
29 We have tried to present the views on transportation as
30



1
2 we see them in the West. We only hope that the
3 hearings here have been of some help to you in your
4 task.

5 Again, may I just say thanks very, very
6 kindly for your kind consideration to all these briefs
7 and submissions.

8 THE CHAIRMAN: Thank you, Mr. Doherty.
9 We will now close, and we will adjourn to Edmonton,
10 I think, in the Court House, at ten o'clock tomorrow
11 morning.

12 I can only say this, Mr. Doherty, that all
13 the representations that have been made will receive
14 consideration. We won't make any special promise;
15 we cannot. We are only ordinary men, and we will try
16 to apply common sense to the submissions that have been
17 made.

18 We will adjourn until ten o'clock tomorrow
19 morning.

20 ---Adjournment.
21
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23
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29
30

Mr McLaughlin

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

EDMONTON ALTA.

VOLUME No.:

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court House, Edmonton,
Alberta, on the 16th day of
February, 1960.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

ROYAL COMMISSION ON TRANSPORTATION

ERRATA SHEET

Vol. 36 page 5793

Line 11, the word "not" should be deleted.

Line 25, the word "findings" deleted and
the word "convenience" inserted.

Line 26, the words "a natural" deleted
and the words "of national" inserted.



Edmonton, Alberta,
Tuesday,
February 16, 1960

---On commencing at 10.00 a.m.

THE CHAIRMAN: Well, we will come to order.
Will the Secretary please read from the Order in
Council.

THE SECRETARY: Mr. Chairman, I read from
a copy of the Minute of a meeting of the Committee of
the Privy Council, No. P.C. 1959-577, of the 13th of
May, 1959.

The Committee of the Privy Council have had be-
fore them a report from the Right Honourable John G.
Diefenbaker, the Prime Minister, stating that it is in
the national interest that a comprehensive and careful
inquiry be made with all reasonable despatch into pro-
blems relating to railway transportation in Canada and
the possibility of removing or alleviating inequities in
the freight rates structure.

The Committee, therefore, on the recommendation
of the Prime Minister, advise that

Herbert Anscomb, Victoria
Archibald H. Balch, Ottawa
Rene Gobeil, Quebec
M. A. MacPherson, Sr., Regina
Howard Mann, Moncton
Honourable Charles P. McTague, Toronto
Arnold Platt, Lethbridge

be appointed Commissioners under Part I of the Inquiries
Act to inquire into and report upon the problems relating
to railway transportation in Canada and the causes thereof,
and to recommend solutions thereto, and in particular,



without restricting the generality of the foregoing, the Commission shall consider and report upon:

- (a) inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made, in furtherance of national economic policy, to remove or alleviate such inequities;
- (b) the obligations and limitations imposed upon railways by law for reasons of public policy, and what can and should be done to ensure a more equitable distribution of any burden which may be found to result therefrom;
- (c) the possibilities of achieving more economical and efficient railway transportation;
- (d) whether, and to what extent, the Railway Act should specify what assets and earnings of railway companies in businesses and investments other than railways should be taken into account in establishing freight rates; and
- (e) such other related matters as the Commissioners consider pertinent or relevant to the specific or general scope of the inquiry.

The Committee further advise:

1. That the scope of this Commission shall not extend to the performance of functions which under the Railway Act are within the exclusive jurisdiction of the Board of Transport Commissioners;
2. That the Commissioners be authorized to exercise all the powers conferred upon them by section 11 of the Inquiries Act, and be assisted to the fullest extent by government departments and agencies;



3. That the Commissioners adopt such procedure and methods as they may from time to time deem expedient for the proper conduct of the inquiry and sit at such times and at such places in Canada as they may decide from time to time;
4. That the Commissioners be authorized to engage the services of such counsel, staff and technical advisers as they may require at rates of remuneration and reimbursement approved by the Treasury Board;
5. That the Commissioners report to the Governor in Council with all reasonable despatch; and
6. That the Honourable Charles P. McTague be Chairman of the Commission.

R. B. Bryce,
Clerk of the Privy Council

P.C. 1959-1628

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellence the Governor General on the 22nd December, 1959.

The Committee of the Privy Council have had before them a report from the Prime Minister submitting that the Honourable Charles P. McTague has, by reason of ill health, asked to be relieved of the responsibilities placed on him as member and chairman of the Royal Commission on Transportation to which he was appointed by Order in Council P.C. 1959-577 of 13th May, 1959.

The Committee accordingly advise that Mr. McTague's resignation as a member and chairman of the said Commission be accepted and that Murdoch Alexander MacPherson, Esquire, Q.C., a member of the Commission, be Chairman thereof.

R.B. Bryce
Clerk of the Privy Council



1 THE CHAIRMAN: Gentlemen, may I present to
2 you the members of the Royal Commission.

3 On my left is Mr. Balch of Fort Erie and
4 Ottawa, who all his life has been interested in the
5 Trade Union movement.

6 Next is Dr. Gobeil from the City of Quebec,
7 who has a PH.D. from McGill University.

8 Next is Mr. Anscomb, who for seven years was
9 Minister of Finance in the Province of British Columbia,
10 and who comes from Victoria.

11 Then, Mr. Mann, who comes from Moncton, New
12 Brunswick, who is a graduate of Toronto University,
13 specializing in transportation economy, and who was
14 Executive Manager of the Maritime Transportation
15 Commission.

16 Then on my extreme left, a gentleman whom you
17 may all know, Mr. Platt of the City of Regina, who has
18 a Master of Science from the University of Alberta.

19 It so happens that I come from the Province
20 of Saskatchewan.

21 Now, we have been in every province of Canada
22 but one. We have been honoured in every province, and
23 we are likewise, I understand, to be honoured here by
24 having the First Minister of the Province appear before
25 us.

26 We are dealing with a problem which is most
27 complex, and we are just ordinary men. We will try to
28 apply commonsense to the problems, keeping in mind
29 always that we are interested in keeping this great
30



1 country united, and keeping it as it should be.

2 Now, before calling on him, I want to say how
3 worried we were yesterday in Regina when we learned
4 that Mr. Frawley was on the train which was in the wreck.
5 Going back now some years, I think Mr. Frawley and
6 Mr. Brazier, who sits beside him, are the only sur-
7 vivors of the original Bar -- I don't mean the only
8 survivors in the living sense, but the only ones who
9 are still at Bar here from way back in 1946.

10 We were very worried about Mr. Frawley because,
11 apart from the Commission, all counsel on all sides have
12 had very real affection for him. And I want to say,
13 and I am sure all counsel will join with me, that no
14 counsel has served his province more zealously or
15 with greater interest than has Mr. Frawley. Mr.
16 Frawley, you are in charge of the show from now on.

17 MR. FRAWLEY: Mr. Chairman, and members of
18 the Commission, thank you very much for your very
19 kind words. I am very glad to be here this morning.

20 THE CHAIRMAN: I spoke to my colleague Mr.
21 Frawley suggesting that in the light of the delay and
22 the accident that we would be glad to arrange for an
23 adjournment, but with Irish pertinacity he said he
24 would go on.

25 MR. FRAWLEY: The show must go on.

26 Mr. Chairman, the Premier of Alberta, the
27 Honourable E. C. Manning, is here this morning and
28 will make a statement on behalf of the Provincial
29
30



1 Government.

2 THE CHAIRMAN: Mr. Manning.

3
4
5 THE HONOURABLE E. C. MANNING, called

6 MR. MANNING: Mr. Chairman, members of the
7 Commission and gentlemen: on behalf of the government
8 and the people of Alberta I should like to extend to
9 you, Mr. Chairman, and to the other members of the
10 Commission a most sincere welcome to our province.

11 The fact that yours is the third Royal Com-
12 mission in the past decade to investigate Canada's
13 transportation problems and to make inquiry into the
14 Canadian freight rate structure underlines the vital
15 place of transportation in the national economy and
16 the need to be sure at all times that our railways
17 serve all parts of Canada with strict impartiality
18 and that no region is subject to discrimination or made
19 to bear disproportionately high freight rate charges.
20 While we hold this view unequivocally we wish to make
21 it clear that we recognize that railways are essential
22 to Canada and they must be financially sound and
23 efficient in all respects so as to perform their im-
24 portant functions in the best interests of all areas of
25 the nation.

26 At this time I would like merely to enumerate
27 some aspects of the freight rate structure which
28 are of particular importance to Alberta.

29 I do not propose to go into this in any detail,
30 as our detailed submission will be made at a later date.



MANNING

Crow's Nest Pass Grain Rates

Counsel for Alberta has appeared before you in Ottawa and has made known the position of the provincial government in the matter of the Crow's Nest grain rates. He has told you that we have retained consultants and that, jointly with Manitoba, we propose to make a submission to you following the cost analysis being prepared by our consultants.

Long and Short Haul Discrimination
in the Transcontinental Rate Structure

This discrimination long has been a grievance in our province. We have protested against it for many years. In 1927 during the General Freight Rate Investigation, Alberta made representations against the state of affairs which required our people to pay up to two and one half times the rate to the West Coast on traffic originating in Eastern Canada notwithstanding the fact that the traffic moves under identical conditions and we are 700 miles nearer the sources from which the goods are shipped.

In 1949 we continued our protest before the Royal Commission on Transportation and for the first time obtained a measure of relief. The Commission recommended the introduction of what came to be known as the One and One-Third Rule. When low rates based on competition were published to the West Coast from Eastern Canada, rates to intermediate points - the short haul rates - could not exceed the long haul rates by more



1
2 than one-third. That rule was at least a degree of
3 relief from the long-imposed discrimination.

4 The One and One-Third Rule was nullified early
5 in 1953 by a decision of the Board of Transport Commis-
6 sioners which declared that the Rule did not apply to
7 those competitive rates designated Agreed Charges because
8 of a conflict of language between the Railway Act and the
9 Transport Act. After the brief space of about eighteen
10 months, Alberta was returned to the discrimination which
11 dates back to 1914.

12 We requested the Government of Canada to intro-
13 duce amending legislation to remove the conflict I have
14 referred to. The action requested was refused and in-
15 stead a Royal Commission - the second Turgeon Commission-
16 was set up. Our Submissions were rejected.

17 The rate structure for which Alberta contends
18 in this regard has been an accepted fact in the United
19 States since 1922. I should like to quote a paragraph
20 from a memorandum written by Philip Locklin, a well
21 known United States transportation economist and a recog-
22 nized authority in his field. The memorandum was present-
23 ed on behalf of Alberta to the Royal Commission on
24 Canada's Economic Prospects:

25 "The wider economic opportunity which
26 has been enjoyed by intermountain territory
27 in the United States since the virtual
28 elimination of long-and-short-haul discrimin-
29 ation from the transcontinental rate structure
30 suggests that similar results will follow a
like modification of the Canadian rate structure.



1
2
3 The determination of the inter-mountain area
4 in the United States to prevent a restoration
5 of the discrimination against them, and their
6 resistance to any efforts to weaken the Long-
7 and-Short-Haul Clause of the Interstate Com-
8 merce Act rests upon a strong conviction of
9 the economic importance to the area of a rate
10 structure which is free from this type of
11 discrimination."

12 We propose to make a Submission to your Com-
13 mission upon Long and Short Haul Discrimination in the
14 transcontinental freight rate structure.

15 Horizontal Percentage Increases

16 The Royal Commission on Transportation which
17 reported in 1951 made the following statement on page
18 48 of its report:

19 "Among those who complain of existing
20 conditions, nobody expects distance to be
21 obliterated; nobody asks for a pooling of
22 freight charges. It is fully recognized
23 that those farther away must pay more than
24 those nearer at hand. It is the relative
25 position in which the parties are left by
26 the present method of applying increases in
27 freight rates that arouses the protest of
28 unjust discrimination.

29 "It would be most unfortunate for all
30 concerned if the freight rate controversies



1
2 of the last few years were to go on and on
3 without end. These controversies have led
4 to great expenditures of time and money,
5 to expensive delays in the making of rate
6 adjustments, and to the maintenance of an
7 unhealthy feeling of unjust treatment in
8 large sections of the country's population.
9 There is no reason why, with judicious
10 management, the relations between the rail-
11 ways and the people they serve might not be
12 as friendly in the East and in the West as
13 they are in Central Canada. The people of
14 outlying regions should no longer find them-
15 selves in the position they have been in so
16 far where, as appears from a study of the
17 proceedings in the 21% Case, they stand be-
18 tween a Board which has to say that it has
19 no information upon which it can order any-
20 thing other than a flat percentage increase,
21 and the railways, who, although they should
22 possess all the necessary information for a
23 reasonable planning of a fairly distributed
24 increase (as is shown by the manner of their
25 own rate adjusting), seem to be unable to do
26 anything about it."

25 At page 61 the Commission summarized the case
26 and discussed the remedy, The Report said:

27 ".....

28 "3. Horizontal increases aggravate the dis-
29 advantage already suffered by long haul shippers
30 and consignees."



".....

"The railways should make studies of traffic conditions in all their bearings and should present to the Board (in accordance with the foregoing precedents) proposals showing not only their maximum percentage increase requirement, but also among other particulars

- varying percentage increases on different commodities,
- flat instead of percentage increases when these are more suitable, and
- maxima in appropriate cases in cents per 100 pounds or other unit.

Special attention should be given to long haul traffic and to rates on basic (or primary) commodities. The Railways should be in a position to do this especially in the light of new statistical procedures. But if the railways do not approach the task in this way, it ought to be the duty of the Board to see that they do so."

After nine years the Transport Board is still granting permissive authorizations for rate increases upon the horizontal percentage basis so severely condemned in the Royal Commission's Report I have just quoted.

I would not like the Commission to conclude that the granting of rate increases by means of the horizontal percentage method constitutes our whole complaint in the matter of further freight rate increases. We go much further than that. We hold the view that there should be



1
2 no further increases whatever until ways and means are
3 found to eliminate from the rate structure all of the
4 distortions - not one but all - so that in the future
5 no one segment of the traffic and no one region of the
6 country will bear more than its just proportion of the
7 burden of increased revenue needed by the railways to
8 meet rising costs of whatever kind.

9 Until the several distortions and discrimina-
10 tions are removed from the rate structure can be evolved
11 all parts of which will bear equally the burdens of
12 operating our railways then the announced policy of the
13 federal government that there are to be no increases
14 should be continued. Likewise, the statutory subsidy
15 to ameliorate the condition of those shippers who use
16 the class rates and the non-competitive rates should be
17 continued until the current distortion and imbalance
18 have been removed from the rate structure.

18 Disproportionate Contribution
19 to Total Costs

20 The basis of our concern upon this aspect of
21 the freight rate structure is well stated by J.C.Lessard
22 in his study "Transportation in Canada", one of several
23 studies published by the Royal Commission on Canada's
24 Economic Prospects.

25 At page 88 after a reference to the fact that
26 railway rates range from "as low as 0.5 cents per ton-
27 mile to as high as 20 cents per ton-mile, the author
28 says:
29
30



1
2 "Stating the principle in another way,
3 the industry's overhead costs have been
4 collected unequally from different types of
5 traffic in accordance with the demand for
6 railway service.

7 "Individual rates for railway transport-
8 ation, therefore, have had very little relation-
9 ship to the cost of performing individual
10 services. Only in the sum total of revenues
11 and expenses do rates and costs bear a reason-
12 able relationship to each other. But total
13 railway costs must be covered by total revenues;
14 therefore it follows that if the rates for
15 certain services are less than full costs, the
16 the rates for other services must be above
17 such costs; hence the practice which is gener-
18 ally referred to as internal subsidization.
19 The result is that a disproportionately large
20 segment of railway overhead costs is being
21 recovered from high rated commodities which
22 are a small proportion of total railway freight
23 traffic. For example, the C.P.R. stated before
24 Mr. Justice Sloan that in 1952, 85% of its
25 overhead costs were recovered from 30% of its
26 traffic."

27 "The C.N.R. submission to the Royal Com-
28 mission on Transportation, 1951, indicated
29 that about 25% of mileage failed to contribute
30 anything to overhead costs while an additional
31 30% was considered to be marginal. Therefore,
32 virtually all of their over-head costs appear
33 to be recovered from the remaining 45% of
34 operations."



1
2 The passage I have quoted was written in July,
3 1956 or shortly prior thereto. By November of 1958 the
4 situation described had reached such a point that in
5 presenting the case for a 19% horizontal percentage in-
6 crease in rates the Canadian Pacific acknowledged that
7 73-1/2% of the requested increase would be taken from
8 32% of the traffic revenue. For the Canadian National
9 the comparable figures were: 73% of the increase from
10 35% of the revenue.

11 In the same context I should like to commend
12 to the Commission the observations of Mr. L. J. Knowles,
13 Commissioner, Transport Board, made to a committee of
14 the Senate on June 17th last. Discussing the reason why
15 the present pricing system exacts a greater charge for
16 the movement of semi-manufactured steel for the movement
17 of an equal quantity of raw steel, Mr. Knowles said at
18 page 14 of the proceedings:

19 "But, Senator Smith, you have asked a
20 great fundamental question in ratemaking
21 that is worrying everybody today, and that
22 is, the way the rate structure is made now,
23 high rates are charged on high-grade materials
24 and low rates on low-grade materials, and the
25 higher rates are being eroded by the trucks
26 and railways are being left with the low-grade
27 articles which are moved at a rate less than
28 the average cost of transportation. That is
29 the great problem all over the world today;
30 I read it in all the railway magazines -



1
2 that is, the fact that the original method
3 of ratemaking on a value basis, while it
4 was very good for 75 years, is out of date
5 today, and it may be that the railways will
6 have to come to a more cost basis of fixing
7 rates. But as long as the value of the
8 service principle remains in the rate struc-
9 ture, you are going to have that situation
10 existing. It is quite difficult to under-
11 stand for anybody who has to use the rates,
12 to charge 50 cents per 100 pounds on one
13 article and \$1.50 on another when the cost
14 of moving the car is exactly the same."

15 I emphasize for the Commission's consideration
16 the view of the experienced Commissioner Knowles that
17 the traditional method of rate making on a value basis
18 is out of date today because the high rated traffic is
19 being constantly eroded by competition, the railways
20 being left with the carriage of the low grade commodit-
21 ies.

22 Mr. Knowles' remarks make it clear why Parlia-
23 ment at its 1959 Session established a subsidy fund of
24 twenty million dollars to alleviate the effects of the
25 17% rate increase and pointedly limited the application
26 of the subsidy to the class rates and the non-competi-
27 tive commodity rates - those rates which had to take
28 100% of the 17% increase granted for the express purpose
29 of compensating the railways for increased wage costs.

30 It is obvious that large segments of the rate
structure are unable to bear even their share of the



1
2 increased out of pocket costs of the railways, to say
3 nothing of the patent inability of those rates to make
4 adequate contribution to the overhead portion of total
5 cpsts.

6 It seems to me, Mr. Chairman, that your Com-
7 mission must closely examine into the question of how
8 far the value of service as the dominate factor in
9 pricing transportation has become out moded, particu-
10 larly in the area of what is largely captive traffic
11 by the inescapable realities brought about by constantly
12 growing force of competitive transport.

13 Non-Rail Assets and Income

14 Paragraph (d) in the Commission's Terms of
15 Reference makes it clear that the Government of Canada
16 is of the view that even at this date and not withstand-
17 ing the setting up of a Uniform System of Accounts for
18 the railways, there still remains the need to re-assess
19 the situation.

20 This question is now under examination by
21 persons retained by the Province and such recommendations
22 as emerge from those studies will be submitted to your
23 Commission.

24 All of which is respectfully submitted.

25
26 (Page 5685 follows)
27
28
29
30



1 THE CHAIRMAN: Thank you very much, Mr.
2 Manning. Any questions?

3
4 CROSS-EXAMINATION BY MR. COOPER:

5 Q. Mr. Premier, I understand that all the
6 matters to which you have referred in your statement,
7 you have included in the submission of the Province of
8 Alberta to be presented to this Commission later in
9 Ottawa, and that witnesses for the province will be
10 available for cross-examination at that time; is my
11 understanding correct?

12 A. That is correct.

13 Q. Thank you.

14
15 CROSS-EXAMINATION BY MR. HUME:

16 Q. Mr. Premier, I represent the Canadian
17 Trucking Association, and while it has nothing to do
18 with your very excellent statement, in order to assist
19 the Commission in each province I have been seeking
20 to find out the answers to the matter of regulation,
21 and you appear to be the only witness to be called
22 in this province, and may I therefore put this to you?

23 With respect to intra-provincial trucking, is
24 it not correct, sir, that Alberta does not control the
25 entry into that industry by requiring a certificate of
26 public convenience and necessity?

27 A. That is right.

28 Q. And also with respect to intra-provincial
29 trucking, Alberta doesn't regulate rates in any way?

30 A. No, we have no regulation that you might



1 call a regulation of rates in effect in the trucking
2 industry at all.

3 Q. Sir, with respect to extra-provincial
4 trucking, which is administered under the Motor Vehicle
5 Transport Act and the Parliament of Canada, am I not
6 correct in my opinion that Alberta has a regulatory board
7 and does regulate traffic into that field by requiring
8 some sort of a certificate of public convenience and
9 necessity?

10 A. I am not familiar, Mr. Chairman, with the
11 details of that arrangement. However, there is an
12 arrangement between this province and the other provinces
13 and the federal authority in that field. The details
14 we can obtain, but I haven't them at my fingertips.

15 Q. Do I understand also, and is my informa-
16 tion correct, that extra-provincial, international
17 or interprovincial trucking in Alberta does not regulate
18 rates?

19 A. That is right.

20
21 CROSS-EXAMINATION BY MR. DICKSON:

22 Q. Mr. Premier, my name is Brian Dickson and
23 I represent the Northwest Line Elevator Association.

24 At page 3 of your statement, Mr. Premier, you
25 quote from the Royal Commission on Transportation which
26 stated in 1951 as follows, and I am reading from the
27 beginning of the second paragraph:

28 "It would be most unfortunate for all con-
29 cerned if the freight rate controversies in the
30 last few years were to go on and on without end.



1 These controversies have led to great expendi-
2 tures of time and money, to expensive delays in
3 the making of rate adjustments, and to the
4 maintenance of an unhealthy feeling of unjust
5 treatment in large sections of the country's
6 population."

7
8 Now, would you not agree that since 1951 that situation
9 has continued; there have been these freight rate
10 controversies from time to time. There has also been
11 much expenditure of time and money as a result; expensive
12 delays and so on?

13 A. Very definitely.

14 Q. The situation has not improved?

15 A. We hope it is moving to improvement with
16 the sitting of the present Commission.

17 Q. You regard all this as bad for this
18 country in which we live?

19 A. Yes, I do. I think that the transporta-
20 tion industry is vital to the economy of the country, and
21 as long as there is dissatisfaction in various areas of
22 the country I think that is detrimental to the nation as
23 a whole.

24 Q. And you recognize that it is the duty of
25 this Commission to try and seek the principles and
26 policies which might be adopted to put an end to this
27 unfortunate situation?

28 A. That is my understanding of the purpose
29 of the Commission.

30 Q. Mr. Premier, as one who has been very long



1 and very intimately connected with this freight rate
2 problem, are there any basic principles which you would
3 like to mention which you think would assist the Com-
4 mission in its very difficult task?

5 A. Well, Mr. Chairman, it is easy to generalize
6 in these matters, and perhaps as a layman that is about as
7 far as I can go, because we all appreciate the very com-
8 plicated nature of some of these matters when you go
9 into them, but it seems to me that we will never have a
10 satisfactory situation in this field in Canada until
11 two things are accomplished.

12 One, I think it must be accepted by everyone
13 that the railways are necessary to Canada's economy,
14 and must be placed in a stable financial position; I
15 needn't enlarge on that. Now, that involves a great
16 deal on their part in keeping costs to a minimum;
17 efficiency of operation, and so on, and so on. The
18 basic premise, in my opinion, is that because of their
19 importance to the national economy, they must be in a
20 stable position.

21 The second factor which is equally important,
22 in my opinion, is that the rates imposed in the trans-
23 portation of products and commodities must be imposed
24 under a system that will eliminate from every area in
25 Canada any reason for feeling that there is unjust dis-
26 crimination against that particular area.

27 As long as you have any areas of this country
28 that feel that they are bearing a disproportionate part
29 of the freight rate cost, you are going to have a
30



1 continuation of this very thing that you spoke of a
2 moment ago. Certainly as long as the railways, or if
3 the railways are in a position where their financial
4 stability was uncertain, then they for their own pro-
5 tection must of necessity press for rate adjustments
6 to correct that position. I think it hinges on a
7 solution to those two problems.
8

9 Q. In your statement you have dealt with
10 three questions: one, the long and short haul discrimina-
11 tion; second, the horizontal percentage increases, and
12 the third is the disproportionate contribution to the
13 total cost.

14 Is the Commission to understand that these
15 are the three major problems in the view of the Province
16 of Alberta which are facing the railway transportation
17 industry today?

18 A. Yes, I would say those three categories
19 contain most of the major problems.

20 Q. Is it your view that if solutions are
21 found to these three problems that the problems of the
22 past are unlikely to continue into the future?

23 A. In my view it would be a very long step
24 towards eliminating them.

25 Q. Now, Mr. Premier, as a possible assistance
26 in eliminating these distortions to which you referred
27 in your statement, would you favour the proposal of the
28 Province of Manitoba to this Commission that a central
29 transportation authority should be set up to coordinate
30 and control and to assist in research and planning on



1 transportation problems?

2 A. I feel, Mr. Chairman, that a decision of
3 that kind is something that should best come or should
4 best be based on the findings of this Inquiry into
5 the whole structure.

6 I think the idea has merit, but I do feel
7 that until the Commission concludes its hearings, and in
8 the light of all the evidence it hears, that it will
9 perhaps come to some conclusions along that line. It
10 is, perhaps, a little premature to say that this is the
11 only way of taking care of it or is necessarily the
12 best way.

13 THE CHAIRMAN: Did the recommendation go so
14 far as to recommend control?

15 MR. DICKSON: It was a coordination of the
16 control, as I recall the phrase. I am sure that Mr.
17 Mauro can elaborate on that aspect.

18 I think that is all, thank you.

19
20 CROSS-EXAMINATION BY MR. BRAZIER:

21 Q. Mr. Manning, as you will probably recall,
22 I represent the Province of British Columbia.

23 I think, probably, there is only one contro-
24 versy in any way in rate matters between the Province
25 of British Columbia and the Province of Alberta, and
26 that is the transcontinental rate structure.

27 Would it be the opinion of the Government of
28 the Province of Alberta that the railways should be
29 permitted to meet competition for the carriage of traffic
30 in Canada?



1 A. Well, Mr. Chairman, it seems to me that
2 the question almost answers itself, that if, inasmuch
3 if they don't meet competition, they simply will not
4 have the traffic to move.

5 Q. Now, going one step further, Mr. Premier:
6 you suggest that special rules should be devised in
7 respect of some types of competitive rates as against
8 competitive rates generally?

9 A. Well, that comes back to this principle
10 of internal subsidization, which is referred to in one
11 of these quotations, and the extent to which that might
12 be justified is something that I think only an authority
13 who can examine all the ramifications of the question
14 could say.

15 Q. It is a pretty deep problem?

16 A. I would say it is, in my view; that type
17 of thing should be eliminated just as far as it is pos-
18 sible to eliminate it.

19 Q. Now, surely, Mr. Premier, you wouldn't
20 say that we should have special rules dealing with
21 competition in one part of Canada which don't apply
22 in another part of Canada?

23 A. Of course, that is one of our complaints
24 today.

25 Q. You want that sort of thing?

26 A. We think it is there today; we would like
27 to get rid of some of it.

28 Q. Now, you will recall in 1950 and 1951
29 when the one and one-third rule was connected to the
30



1 Railway Act of Canada; you will recall that period. And the
2 time that followed that?

3 A. Yes.

4 Q. Was it ever reported to you what the
5 general result was from the introduction of that section
6 of the Railway Act?

7 A. I recall a number of conflicting reports.

8 Q. Let me put the direct question to you;
9 from the report you received was there a substantial
10 reduction in the rates to Alberta following the intro-
11 duction of the one and one-third rule?

12 A. On some commodities, yes.

13 Q. And on others there was no change?

14 A. Well, the agreed charges, of course, came
15 in very shortly after, which progressively eliminated
16 the effect of the application of the one and one-third
17 rule.

18 Q. Was it ever reported to you that most
19 of the competitive rates to British Columbia were with-
20 drawn as a result of the one and one-third rule?

21 A. I know that some of them were withdrawn;
22 I don't know the extent.

23 Q. And I suppose your witness who will
24 appear at Ottawa, Mr. Manning, will have made a study of
25 the effect it had on the economy of the Province of
26 Alberta?

27 A. That is right.

28 MR. FRAWLEY: I hope that he will bear in
29 mind when he talks about these transcontinentals to
30



1 Vancouver being withdraw, that there^{is} a world of
2 difference of opinion as to why they were withdrawn.

3 THE CHAIRMAN: They were immediately replaced
4 by something else.

5 MR. FRAWLEY: As soon as they got rid of the
6 one and one-third rule they went right back like that.

7 MR. BRAZIER: Of course, my contention is,
8 and I think the railways support me in this, that they
9 were withdrawn originally, and because of the loss of
10 traffic to other competitive forms of transportation, a
11 new device had to be set up.

12 THE CHAIRMAN: We will look forward to the
13 two of you debating that in Ottawa.

14 MR. FRAWLEY: If Mr. Brazier is counsel for
15 the railway just a little longer.

16 THE CHAIRMAN: I thought you said in Ottawa,
17 Mr. Frawley, that the one and one-third rule was a
18 dead duck.

19 MR. FRAWLEY: Yes, and I think the people who
20 complain about it should be charged with desecration
21 of graves.

22
23 CROSS-EXAMINATION BY MR. MAURO:

24 Q. Mr. Manning, I represent the Province of
25 Manitoba, and I just want to clarify particularly the
26 question put to you by my learned friend Mr. Dickson.
27 Perhaps you have seen the Manitoba brief, and if you
28 have you will note in there that one of the suggestions
29 under other matters that this Commission might investi-
30 gate, is the suggestion of the Province of Manitoba that



1 there is becoming such a multiplicity of administrative
2 agencies in the field of transportation in Canada, and
3 all of which agencies are attempting to administer
4 national policy covering the field of highways, rail,
5 air, marine and now pipe lines.
6

7 Now, it was the opinion of the Province of
8 Manitoba that the goal of national policy should be
9 the most efficient and economic transportation of goods
10 and people, and that perhaps the time was now appro-
11 priate for an appraisal by this Commission of some
12 type of organization or authority to direct research
13 and coordination, but definitely not a super board
14 directing all of the transportation facilities of this
15 nation, and I assume that perhaps we may hear from
16 the Province of Alberta on this point either here or
17 in Ottawa.
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1 A. The only further comment I feel I could
2 make on it at this point is, if such a body was con-
3 fined to the research and advisory field, it would
4 appear to me there could be considerable value and
5 good come from it. Certainly, as a provincial
6 government we would not be in accord with the setting
7 up of any overall national regulatory body in that
8 field, because inevitably it embraces both national
9 and provincial fields of transportation, which we
10 think should be kept that way.

11 Q. One other aspect of this investigation
12 which I am sure will be constantly before the Commission,
13 and that is the position of the Province of Alberta
14 as to this matter of subsidy to the railways. Assuming
15 that the Commission comes to the conclusion that finan-
16 cial assistance from the federal treasury is necessary,
17 does the Province of Alberta support the subsidy method?

18 A. Mr. Chairman, to answer that question, I
19 think I should say in the first place that we would
20 very much prefer a situation in which subsidies of that
21 kind were not necessary. In principle, we don't like
22 the idea, but in this matter of the railways' position
23 in the Canadian economy today, it seems to me that,
24 No.1, if the inequities and discriminatory factors
25 in the application of rates can be eliminated, and the
26 aggregate amount of revenue accruing to the railways
27 that it is decided by the competent authorities is
28 the maximum that can come from the goods they can
29 properly handle, in the light of the great competitive
30



1 situation today, then, recognizing that the railways
2 are essential to Canada's economy as a whole, we think
3 on that ground a national subsidy can be justified.
4 It should be a last resort if the railways cannot acquire,
5 in the light of the competitive situation, adequate
6 revenue to operate without subsidies. We do feel
7 very strongly that subsidies should not be related to
8 some particular branch of traffic. In other words, we
9 see no reason for picking out one thing and saying
10 that it should be subsidized, but, rather, that the
11 overall position of the railways may have to be under-
12 written by the public of Canada if, in the opinion of
13 the nation, help is necessary to the carrying on of
14 their operation.
15

16 Q. I might say I feel, Mr. Premier, that
17 Manitoba and Alberta are very closely allied in our
18 approach on this matter, and I would like to pursue one
19 or two other items, and if I transgress in a field which
20 you feel you do not want to discuss this morning, please
21 advise.

22 Following what we have just said, the Province
23 of Manitoba has stated that there are these tremendous
24 burdens being placed on the freight shipper which are
25 not justifiable when a situation is created such as we
26 have today where 75 per cent or 73 per cent of the
27 increases are being extracted from 32 per cent of
28 the traffic revenue. One of the suggestions of the
29 Province of Manitoba was that passenger losses should
30 be removed from the freight rate structure, and that if



1 transcontinental or trunk line passenger services were
2 deemed essential in the national interest, then losses
3 in that field of rail transportation should be made
4 up through some other source, but not extracted from
5 the freight user. Would the Province of Alberta
6 support such a proposal as that?

7 A. Our thinking in that direction is along
8 this line: first of all, we would like to see the
9 various sectors of railway revenue -- passenger and
10 various categories of other rail movements -- broken
11 down and a clear study made to determine to what extent
12 each of these is paying its proper share of the overall
13 revenue required by the railways. Until that is done
14 and that picture is cleared, we think it is extremely
15 difficult to say whether there is any more argument
16 to say, "This particular category ought to be aided
17 rather than the aggregate." We would approach it
18 from the standpoint that the aggregate is important,
19 but, if you break them down into categories and there
20 seem to be apparent reasons why one particular category
21 is in a different position from others, it should be
22 considered at that time.

23 Q. I think Alberta and Manitoba are of the
24 sincere opinion that neither this Commission nor the
25 provinces of Alberta and Manitoba can really fulfill
26 the functions that we think have been set out for us
27 unless an awful lot more information is available to
28 us on the distribution of this burden in the present
29 freight rate structure.
30



1 A. That is our very definite opinion.

2 MR. DOHERTY: Mr. Premier, my name is
3 Gordon Doherty, and I appear on behalf of the Province
4 of Saskatchewan. I think we can agree that the pro-
5 blems you have outlined here as being faced by
6 Alberta are also very vital in our province of Saskatche-
7 want, and I, therefore, have no questions to direct to
8 you. I would, however, like to compliment you on the
9 excellence of your brief and to say how very fortunate
10 I think the province is in being so ably represented
11 by Mr. James Frawley in all these matters in the
12 transportation field.
13

14 CROSS-EXAMINATION BY MR. McDONALD:

15 Q. Mr. Premier, my name is A. D. McDonald,
16 and I represent Canadian National Railways. I just
17 wish to refer first to page 5 of your submission where
18 you quote from J. C. Lessard, "Transportation in Canada."
19 I would like to supplement your quotation by referring
20 to page 88 of Mr. Lessard's book "Transportation in
21 Canada," just preceding where your quotation starts,
22 and read this:

23 "Railway rate policy from the beginning
24 has been strongly influenced by national con-
25 siderations or by the need to promote the
26 widest possible development of markets by
27 reducing, in so far as possible, natural
28 geographic disadvantages."
29

30 Then, on page 89:



1 "A second way in which railway rates have
2 reflected national consideration is by charging
3 the same rate on all lines regardless of any
4 differences in costs which may exist. In
5 this way railway rates have promoted the
6 development of many remote areas, as well as
7 the uniform growth of the country's economy
8 inasmuch as light traffic lines have enjoyed
9 the same rates as heavy density lines."

10
11 Do you approve of Mr. Lessard's statements?

12 A. I would say that his statement, in my
13 opinion, is a statement of historic fact, but, if I might
14 say this: where it is necessary for some area of the
15 country to be aided, or if it is considered necessary,
16 as was their concept in opening up areas and permitting
17 special rates for that purpose, our view is that those
18 are the situations that should rightly be an expense to
19 the nation of Canada as a whole rather than get into
20 some particular freight rate structure that affects
21 only one particular part of the shippers.

22 Q. Then, we come to page 90, following
23 along in the same chapter:

24 "Finally, superimposed on these three forms
25 of internal subsidization are fixed statutory
26 rates on export grain traffic from Western
27 Canada. This traffic which normally accounts
28 for approximately 30 per cent of the two major
29 railways' total revenue freight ton miles is
30 moved at rates (0.57 cents per ton mile) which



1 are claimed by the railways to be very close to
2 their short run out-of-pocket costs. This
3 means that the entire overhead cost attri-
4 butable to the movement of export grain from
5 Western Canada has to be recovered from other
6 traffic. The transference of this overhead
7 expense to other than grain traffic, much of
8 which is highly competitive, improves the
9 competitive position of other carriers and
10 correspondingly weakens the competitive ability
11 of the railways."
12

13 Do you agree with that statement?

14 A. No, I would have some reservations on
15 that. I don't know whether you want me to enlarge
16 on this, but to single out one particular category,
17 such as the Crow's Nest grain rates, in our view, is
18 giving an incomplete picture. We are convinced that
19 there are quite a number of categories of commodities
20 hauled by the railways that are not paying their fair
21 share of the total cost of operating the lines, and
22 some of them, we think, go much further than the case
23 that is made out for the grain rates, and, to single
24 out this one category, in our opinion, is unfair.

25 Q. Would you go so far as to say that is one
26 of a number?

27 A. I would not even go as far as admitting
28 that it has been proved that it is one. I know it is
29 claimed that it is one.

30 Q. You stated that rates must be imposed under



1 a system which will eliminate from every area a feeling
2 of unjust discrimination. Would you like to elaborate
3 on that-- any idea you may have on that proposition?

4 A. I am afraid that is pretty involved, to
5 try and spell out at this stage.

6 THE CHAIRMAN: You will probably hear from
7 the province in Ottawa on that.

8 THE WITNESS: Very true. I do attach a
9 great deal of importance to this point: as long as there
10 remains in the freight rate structure of Canada any
11 factors which result -- and I might say rightly or
12 wrongly result -- in any substantial segment of people
13 or number of important areas of the country feeling
14 that there is unjust discrimination, we suggest that
15 that, in itself, indicates that there is something
16 very unsatisfactory in the structure. It surely
17 should not be impossible to devise a structure that,
18 while there will always be individual shippers who
19 feel they should have a better deal, would on the whole
20 be such that it would commend itself to the people and
21 regions of Canada as being as fair and equitable as it
22 is possible to be. We don't think we have reached
23 that point.

24 Q. Then, another matter I would like to
25 have your views on: in order to meet the competition, do
26 you agree that the railways should have trucking ser-
27 vices to coordinate with their railway services?

28 A. Whether we agree or not, they have it,
29 and, frankly, it has given us some concern, not because
30



1 there is any valid reason why the railways any more than
2 any other commercial enterprise should not be in a line
3 of business of that kind. The concern it occasions
4 us is the building up under one or two jurisdictions
5 of the great bulk of the transportation facilities of
6 the country. We think, in principle, that has grave
7 danger, and that is no reflection on the railways. We
8 would say the same of any business that moves towards
9 a pretty monopolistic position in any one thing.
10

11 CROSS-EXAMINATION BY MR. SINCLAIR:

12 Q. Mr. Manning, as I think you know, I repre-
13 sent Canadian Pacific, and I may say, sir, and to the
14 Commission, it is a real pleasure for Canadian Pacific
15 to come to Edmonton and have an opportunity of discussing
16 transportation problems with you here. We have dis-
17 cussed them in other places many times, and even here
18 on other occasions. I, Mr. Prime Minister, would like
19 to say that I have found the counsel for the Province
20 of Alberta on occasion to be most constructive and on
21 occasion to be most destructive. However, I am glad he
22 is back with us.

23 Now, Mr. Prime Minister, I suggest to a degree
24 that the maximum benefit to Canada from its railways
25 arises when there is the freest possible movement of
26 the commerce of the nation, and particularly to export
27 positions, at just and reasonable rates: would you
28 agree?
29

30 A. No, I would have reservations on that.

Q. What would those reservations be?



1 A. The nature of transportation on a
2 transcontinental basis as such, and I think experience
3 has shown that certain regulations of that transporta-
4 tion are necessary in the public interest. If your
5 premise was correct, then we should not have a Transport
6 Board at all, but just let the railways go ahead.
7

8 Q. Well, subject to regulation in the public
9 interest, that would be the only restriction that you
10 would have, would it?

11 A. That should be the purpose of any
12 government body appointed to regulate any industry.

13 Q. And would you agree, Mr. Prime Minister,
14 that all segments of traffic moving on the railway
15 should stand on their own feet, if possible?

16 A. If possible.

17 Q. And particularly would you agree that
18 all segments of freight traffic should contribute
19 their variable costs or their out-of-pocket costs
20 plus a fair contribution to total costs?

21 A. I think that would be a proper objective.
22 Again, having regard to the reference of public interest,
23 there might be cases where that would have to be varied.

24 Q. Now, Mr. Prime Minister, I think there
25 would be no disagreement between us on this proposition:
26 that the western Canadian grain economy is essential to
27 the economic well-being of Canada?

28 A. That is right.

29 Q. And I think, sir, that we would agree that
30 if the Western grain economy needed assistance in any way



1 it should be a national obligation of all the people
2 of Canada; would you agree?

3
4 A. I think that it was in the category of
5 those things that could be regarded as being necessary
6 to the interests of Canada as a whole, and therefore,
7 as I said earlier, if in the light of the overall picture
8 public aid is necessary, that would be one of the grounds
9 on which that aid would be justified.
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1
2 Q. Mr. Prime Minister, with your knowledge
3 of Western Canada, you would agree also, I take it,
4 that the position of the western grain grower today
5 and in the foreseeable future is such that he cannot
6 bear increased costs in transporting his grain to export
7 positions?

8 A. That would be our view, yes.

9 Q. From your submission, Mr. Prime Minister,
10 it is the position of your Government, is it, that
11 competition is in the best interests of Canada?

12 A. We agree with that principle, yes.

13 Q. Would you agree that the profit and loss
14 approach to business, and the incentive that gives,
15 develops the most efficient service and products for
16 the Canadians?

17 A. Yes, we are very strong believers in the
18 free enterprise system of economy.

19 Q. I think it is proper to say to you, sir,
20 that every party that has formed the government
21 of Canada has expressed a preference for the operation
22 of the Canadian Pacific as a private enterprise. As
23 Prime Minister of Alberta, have you any views on that
24 matter?

25 A. No. I have no criticism of the Canadian
26 Pacific operating as a private enterprise.

27 Q. Do you support that proposition?

28 A. I have never expressed myself one way
29 or the other, frankly. It is not an issue that has
30 arisen. If you mean are we advocating the nationalization



1 of the Canadian Pacific, no, we have never advocated
2 that.

3
4 Q. Now, Mr. Prime Minister, there is one
5 other point. The position of your government is that
6 subsidies are basically wrong and should not be used
7 unless there is clearly demonstrative need for such
8 action to be taken; is that correct?

9 A. That's correct.

10 Q. And if the interest that needed assis-
11 tance to maintain a facility was local, you would
12 agree, I take it, that federal subsidies in that case
13 would be definitely wrong and any assistance should be
14 on a local level rather than a federal level?

15 A. No, I would not agree with that state-
16 ment, because, again, I come back to the concept of the
17 railways as being essential to the development and
18 economy of the nation as a whole. And the nation as
19 a whole, in the development of its economy, cannot
20 divorce itself of its interest in the development
21 of various areas of the country.

22 To that extent, it may be something that you
23 could call local, in a sense; but, if it is something
24 that has bearing on the economy and stability of
25 Canada as a whole, then, I think it is to be assumed
26 national, and not as a regional thing.

27 Q. I am sorry. We are at
28 cross-purpos, sir. When I use the term "local" I
29 do not mean regional; I meant purely local.

30 THE CHAIRMAN: Such as ---



1 MR. SINCLAIR: Q. Let me give you an example.

2 If there was a passenger train service in an area of
3 Canada, and it was losing money, and it was the view of
4 the railways that it could not operate and meet its
5 variable costs and therefore they applied to abandon it
6 and the people who were receiving that passenger train
7 service felt they wanted it, and they could not pay for
8 it in fares, if it was to be maintained serving the
9 local interest, in that case it would be wrong, I
10 suggest to you, to use federal subsidies?

11 A. Well, my understanding of the hearings
12 that are held by the Transport Board on applications
13 for abandonment of lines, and so on, is for that very
14 purpose -- to enable a federal regulatory body to
15 satisfy themselves whether a circumstance such as you
16 have outlined has any bearing on the national interest
17 of the people of Canada. I think they have to be
18 weighed on their individual merits. It is hard to
19 generalize.
20

21 Q. Sir, would you agree with this, so that
22 the matter might be clearly delineated, that when the
23 railways were -- and I am not talking here of line
24 abandonment; I am talking here of passenger train dis-
25 continuance -- that where the railways applied to
26 discontinue a passenger train service where it illus-
27 trated that it was not meeting its variable cost, that
28 it should be delineated in the statute that the service
29 should be discontinued, unless it was proved by the
30 persons alleging that it should be continued that such a



1 continuance is in the national interest?

2 A. Well, my understanding is that is the
3 general policy of the Board of Transport Commissioners
4 in dealing with cases of that kind. I could be wrong.

5 Q. Well, Mr. Prime Minister, I, of course,
6 would not want to get into an argument with you on that.
7 All I can say is that your understanding has not been
8 what I have run into.

9 MR. FRAWLEY: I think my friend is talking
10 about where the onus is. The Board has to find out,
11 has to weigh the case of the railway against the incon-
12 venience to the public. My friend seems to be putting
13 to the Premier that there should be a change in the onus,
14 or something of that sort, as far as I can follow his
15 question.

16 THE CHAIRMAN: I would think ordinarily the
17 Board would give some judgment as to when the onus would
18 shift.

19 MR. SINCLAIR: Q. Well, let me put it to
20 the Prime Minister this way. Does it not, Mr. Prime
21 Minister, assist when the burden of carrying a proof in
22 a matter of this kind is delineated -- would you not
23 agree with that -- so that the people can know by look-
24 ing at the law exactly what their obligation is?

25 A. Well, I think any law is a better law if
26 it makes quite clear to all it affects exactly what are
27 the procedures, to take advantage of its provisions.
28 My understanding was that is pretty clear at the present
29 time.
30



1 Q. Well, public convenience in respect to
2 local areas is not the same as public convenience to
3 Canada, in your opinion, is it?

4 A. That is right.

5 Q. It is not?

6 A. Not necessarily the same. It could be
7 a matter that had some national interest, but not
8 necessarily so.

9 Q. The reason, Mr. Prime Minister, that you
10 would take the position that subsidies are wrong unless
11 there is a clearly demonstrated need is that, from your
12 experience, unless people who are using something are
13 required to pay for it, they are rather anxious to main-
14 tain it; would you agree with that?

15 A. I would say that was one of the lesser
16 reasons. That is a factor that always comes in where
17 any industry is receiving a subsidy, but I would put
18 that among the lesser reasons.

19 Q. But it is a factor?

20 A. A small factor, perhaps.

21 Q. For instance, in passenger train service,
22 if it was being subsidized by the federal treasury, there
23 would be an inclination to try to maintain it by some
24 people, in your opinion?

25 A. I think the inclination would be there
26 whether it was being subsidized or not.

27 Q. Don't you think the subsidies would kind
28 of give it a little fillip?

29 A. I can't necessarily say that is necessarily
30



1 the case. I think if you have a service in a community,
2 the local interests of that community quite likely are
3 going to become magnified out of their importance
4 from a national standpoint, admittedly. But I doubt
5 very much whether the fact that there was a few dollars
6 of subsidy involved in it or not would make any appre-
7 ciable difference in the attitude of the community if
8 they thought they needed the service.
9

10 Q. We can agree on this -- it certainly would
11 not lessen it?

12 A. No, it would not lessen it.

13 Q. Mr. Dickson mentioned to you three pro-
14 blems that you felt if they were solved would bring
15 about this solving of all these disabilities that were
16 referred to by the Turgeon Commission. I think that
17 was his question -- that there were these three problems,
18 and you agreed?

19 A. I said it would be a big step in the
20 direction of their solution, yes.

21 Q. Would you not think that the elimination
22 of controversy over this matter of the statutory grain
23 rates would be a major step in assisting for better
24 understanding between the transportation industry and
25 its customers?

26 A. Well, frankly, we are a little at a loss
27 as to why there should be any controversy over that.
28 That was a definite deal made years ago, and as far as
29 Western Canada was concerned was settled and remained
30 settled.



1 Q. I am not going to debate that with you
2 now, but at a later time. Whether you are right, sir,
3 or whether some others are right, they equally, as
4 sincerely as you, believe that this is a matter that
5 is a substantial burden on the railway industry, and I
6 am suggesting to you that would you not agree that
7 the elimination of that controversy would be equalled
8 to and as important as any other major controversy?
9

10 A. Well, let me repeat what I said a little
11 earlier, Mr. Chairman -- that in our view there are a
12 number of fields in which it can be debated whether the
13 railways are getting a proper contribution towards their
14 total operation cost. The railways and some others
15 submit that the Crow's Nest grain rates are one of those
16 categories.

17 Let us admit, for the sake of argument, that
18 that is a proper subject of debate, but our position
19 is there are probably half a dozen other fields that
20 are equally, or even with greater reason, fields for
21 debate on that same issue. And, to single out any
22 one, such as the grain rates, and say, now, this thing
23 ought to be adjusted so that it will remove all sense
24 of unfairness, without touching the others which in the
25 opinion of many of us are far more glaring cases than
26 Crow's Nest grain rates, I think would contribute more
27 to the feeling of dissatisfaction than lessening it.
28 That is my frank opinion.

29 Q. Thank you, sir, but you still would agree,
30 would you, in that if these other matters -- the train



1 service, if you like; questions of how general increases
2 are to be applied; questions of the justification for
3 transcontinental rates -- if these are gone into,
4 considered, and recommendations after due consideration
5 made, that equally and with just as much impact should
6 be that unbiased and judicial approach -- if I may use
7 that word -- to this issue of Crow's Nest grain rates?

8 A. I think I covered that on page 4 of the
9 submission, Mr. Chairman, with these words, in the
10 last paragraph:
11

12 "We hold the view that there should be no
13 further increases whatever until ways and means
14 are found to eliminate from the rate structure
15 all of the distortion -- not one but all -- so
16 that in the future no one segment of the
17 traffic and no one region of the country
18 will bear more than its just proportion of
19 the burden . . ."

20 Q. So that you would include in that ---

21 A. I may not agree that the Crow's Nest
22 grain rates are a category in which it can properly
23 be charged that there is discrimination, but I certainly
24 do not deny the right to others to claim that.

25 Q. Distortion, I think?

26 A. Distortion, if you like.

27 Q. And that language that you have given to
28 me there, I take it, is the answer to my question.

29 THE CHAIRMAN: Have you quite some questions
30 yet?



1 MR. SINCLAIR: No, I have one more point I
2 would like to put to the Prime Minister, and then I am
3 finished, sir.

4 Q. At page 6, you quoted concerning the
5 views of Commissioner Knowles, before the Parliamentary
6 Committee on the roll back legislation bill which
7 became operative in August last, and immediately
8 preceding that, and placing it in its context because
9 that is what Mr. Commissioner Knowles was considering --
10 the question of the application of what is the 17%
11 increase case authorized by the Board. Now, then,
12 you go on on page 7, sir:

13 "Mr. Knowles' remarks make it clear why
14 Parliament at its 1959 session established
15 a subsidy fund of \$20 million to alleviate
16 the effect of the 17% rate increase and
17 pointedly limited the application of the
18 class rates and the non-competitive commo-
19 dity rates -- those rates which had to take
20 100 per cent of the 17% increase granted
21 for the express purpose of compensating the
22 railways for increased wage costs."

23 My point, Mr. Prime Minister, is this:
24 that it is a view, from a feeling in Western Canada
25 that you have sensed, I take it, that they are the
26 only people who are bearing increases in freight rates,
27 and if not the only ones, they are bearing more. Is
28 that right?

29 A. No, I wouldn't say that. I think the
30



1 Maritimes Provinces have suffered much the same kind
2 of discrimination.

3 Q. But your answer, then, means that they
4 are bearing in the west and in the maritimes more than
5 they are in central Canada?

6 A. That is right.

7 Q. Would you be surprised to learn, Mr.
8 Prime Minister, that a test was made by Canadian
9 Pacific as to the application of the 17% increase
10 to traffic moving within Western Canada, class and
11 commodity rates, and within Ontario and Quebec at
12 class and commodity rates, and the average increase was
13 approximately the same?
14

15 MR. FRAWLEY: I don't suppose Mr. Manning
16 knows anything about the Canadian Pacific's tests.

17 THE WITNESS: No; I would like to see the
18 whole picture of that.

19 MR. SINCLAIR: Q. Let me tell you the
20 balance of the picture with respect to competitive
21 rates. In competitive rates the tests showed that
22 in Ontario and Quebec the increase was about 11.4 and
23 in the West it was approximately the same. Would you
24 be surprised at that?

25 MR. FRAWLEY: I am not questioning that what
26 my friend is saying is accurate, but what kind of test
27 is he talking about, and how was it made, and over
28 what period? It is very, very nebulous the way he
29 is putting it to the witness. Now, Mr. Manning may
30 answer it ---



1 THE CHAIRMAN: I think whoever made the test
2 should be subject to your cross-examination.

3 MR. SINCLAIR: Mr. Chairman, I think that I
4 have at least tried, for a good many years past, that
5 when I put questions like that in cross-examination to
6 either have the witness agree with the fact which I
7 put, which I wasn't trying to do here, or failing
8 that to call somebody to substantiate what I have put
9 forward in cross-examination as a fact. And I think
10 my friend might have very well known that I was going
11 at some appropriate time to bring a man forward who
12 would explain to the Commission.

13 MR. FRAWLEY: I complimented you on your
14 fairness, Mr. Sinclair. I don't know what more you
15 want.

16 MR. SINCLAIR: But I am asking the Prime
17 Minister of Alberta ---

18 THE CHAIRMAN: All you have asked him is
19 whether he would be surprised.

20 THE WITNESS: I wouldn't be surprised at
21 anything the C.P.R. does.
22
23
24
25
26
27
28
29
30



1 Q. You wouldn't even be surprised if they
2 were completely fair, would you?

3 A. I know they would be fair.

4 Q. You know they would be fair?

5 A. Yes.

6 Q. Then, Mr. Premier, let me ask you this;
7 you said that the two major issues -- and I must say
8 I thought you stated them very well -- and the one I
9 took a note of was to eliminate from every region of
10 Canada any feeling of bearing a disproportionate share
11 of transportation costs. That is, any feeling; that
12 is quite a job, isn't it?

13 A. I was stating the goal. I think I men-
14 tioned once or twice that you always have individual
15 shippers or individual cases who complain, but I was
16 stating what the goal should be as near as it can be
17 obtained.

18 Q. The goal of the income tax was to make
19 everybody in Canada feel that they were bearing a fair
20 proportion of the national burden.

21 A. I would hope that the Royal Commission
22 here will arrive closer at its goal than they did.

23 Q. Thank you.

24 THE CHAIRMAN: Mr. Frawley?

25 MR. FRAWLEY: No, I have no questions to ask.

26 THE CHAIRMAN: Mr. Manning, thank you very
27 much for having come here. I don't know if my
28 colleagues have any questions.
29
30



1
2 BY COMMISSIONER GOBEIL:

3 Q. Mr. Premier, on page 5 of your brief in
4 the first paragraph you say:

5 "Until the several distortions and dis-
6 criminations are removed from the rate structure
7 and until a structure can be evolved all parts
8 of which will bear equally the burdens of
9 operating our railways then the announced policy
10 of the federal government that there are to be
11 no increases should be continued."

12 Do you suggest that until that freight structure be
13 readjusted so that the burden is equal, and if this
14 takes two or three years, do you suggest there should be
15 no increases?

16 A. Yes, Mr. Chairman. Our feeling on that
17 is rather strong. It seems to us that it is rather
18 elementary that if you have a structure in which there
19 are inequities, then any horizontal increase or adjust-
20 ment of that kind obviously simply aggravates and
21 magnifies those distortions, and for that reason we
22 would like to see and feel that it is important there
23 should be a complete halt to that method of increasing
24 the revenue of the railways until an equitable structure
25 can be arrived at, even if it means an additional subsidy
26 in the interval -- until a final solution can be
27 arrived at -- because once you put the things into
28 effect by rate adjustment you simply aggravate the situa-
29 tion which, in our view, is already bad, and you have
30 complicated your problem of altering these things at



1 a later date.

2 Q. Would that mean also you would suggest
3 further that until such a new rate structure is devised,
4 that the \$20 million subsidy that was voted last year
5 should be frozen at that amount?
6

7 A. I said that if in the interval there
8 are changes of necessity and continued findings to the
9 satisfaction of the responsible bodies of the Government
10 of Canada that additional revenue is necessary, then we
11 would prefer even to see that that would increase rather
12 than, say, adjustments applied until the inequities
13 are removed in the structure.

14 Q. One other question, Mr. Prime Minister.
15 Mr. Sinclair asked you what you thought of nationaliza-
16 tion and you mentioned, I believe, you didn't see any
17 objection to the Canadian Pacific Railway operating as
18 a private company, and then that you never recommended
19 nationalization; would that mean that you would never
20 recommend it -- you have never recommended it, I under-
21 stand, but would that mean you would never recommend
22 it?

23 A. I cannot think of any reason for which
24 we would advocate nationalization of the Canadian Pacific.

25 Q. Thank you, sir.

26 BY COMMISSIONER ANXCOMB:

27 Q. Mr. Premier, I wonder if you would care
28 to answer this: whether there was or was not originally
29 -- don't forget my word "originally" -- an agreement on
30 Crow's Nest Pass rates, whether there is or is not now



1 an agreement or statute on the Crow's Nest Pass rates, and
2 if a new structure was devised in which everybody
3 seemingly on paper was completely happy all across
4 Canada, as you say, on a national basis, and to do that
5 the rate on grain had to be raised, would you then still
6 say the Crow's Nest Pass rates must apply?
7

8 A. I think I would have to answer that in
9 two parts.

10 In the first place, I said in answer to an
11 earlier question that it is our view as a government and
12 this view, I know, is shared very widely in all the
13 prairie provinces, that the agricultural industry in
14 the light of present conditions cannot stand without
15 impairing the national economy and an increase in
16 shipping charges. That is our very, very firm belief.

17 Now, on that premise, I think I would suggest
18 our answer to your question primarily would be that
19 there should not be any increase in these rates no matter
20 whether it is carried on under the existing arrangement
21 or under some other statute, and we all hold very firmly
22 to the premise that the agricultural industry from the
23 standpoint of its impact on the national economy and
24 apart altogether from the impact on the individuals who
25 make up the industry, in our view cannot stand an
26 increase to the shipping rates.

27 Q. Then, it does mean in the final effect
28 that no matter what may happen, if you get this equaliza-
29 tion all over the nation, as I say, with everybody
30 happy, you still feel that the Crow's Nest rate must



1 apply.

2
3 Would you tell me this: what makes you think,
4 Mr Premier -- and nobody should know better than you --
5 that while the problem may not at the moment be so diffi-
6 cult that the grain people can pay no more, what makes
7 you think in the foreseeable future -- and I want your
8 definition on what the foreseeable future is -- that
9 the farmer will always be in the position that he is in
10 today on Tuesday morning?

11 A. Well, perhaps I should have added a
12 second part which I had in mind. If this equitable
13 arrangement can be arrived at, we certainly wouldn't
14 quibble whether the present rates paid by grain, or
15 already under the existing agreement, were put in the
16 same loose statute or spelled out in some other way;
17 all I can say in our view at the present time, and I
18 would have to say from our view in the foreseeable future,
19 that maybe our thinking on what the foreseeable future
20 means has different interpretations. We don't see
21 how the grain shippers of Western Canada can pay the
22 increased costs without impairing the national economy,
23 because the trend today on rates has gone on now for
24 some little time, and the agricultural industry generally
25 is in a rather serious price squeeze, and the forecasts
26 are not optimistic.

27 However, that doesn't mean that in ten or
28 fifteen years, or less time, that may not change, but as
29 far as we can look at the road rate now, agriculture in
30 our view is facing a pretty serious economic problem. It



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that
is not/their general income isn't reasonably good, but
their operating costs and overhead have risen much more
rapidly than their income has risen, and in any business
arrangement that means a rather serious and difficult
situation.

Q. Thank you.

COMMISSIONER MANN: No questions.

THE CHAIRMAN: Well, thank you, Mr. Manning, very much. Your very clear and definite evidence has been of great assistance to us.

THE WITNESS: Thank you, sir.

THE CHAIRMAN: We will have a recess now.

---Short recess.



1 THE CHAIRMAN: Mr. Frawley, I think in view
2 of the presentations we had at Regina and Winnipeg that
3 we are going to stay by our hours now; that is, from
4 ten o'clock to twelve o'clock and from two o'clock to
5 four o'clock. Tomorrow we have an appointment with
6 the Government, I understand, at one-thirty, so we had
7 better make it three o'clock tomorrow. As you
8 probably know, in Winnipeg we sat one night until
9 eleven-thirty. We had over two hundred farmers there
10 and we felt they were entitled to be heard.

11 MR. FRAWLEY: I certainly am in favour of
12 that.

13 I think, as far as I am concerned, that the
14 Farmers' Union of Alberta is coming forward, because Mr.
15 Nelson, the president, has to go to Ottawa tonight.

16 EDWARD CECIL NELSON, called

17 DIRECT EXAMINATION BY MR. FRAWLEY:

18 Q. Mr. Nelson, would you state your full name,
19 please?

20 A. Edward Cecil Nelson.

21 Q. You are the president of the Farmers'
22 Union of Alberta?

23 A. That is right.

24 Q. And in that capacity you have prepared
25 a submission to this Commission, and would you please
26 now put it into the record by reading it for the Com-
27 missioners?

28 A. Thank you, sir. Mr. Chairman and
29
30



1 gentlemen, this submission is not a statistical pre-
2 sentation. We are aware that the Commission will be
3 well supplied, if not overwhelmed, with statistics.
4 We do not intend, however, to present a narrowly based
5 submission, concerned only with the position of our
6 farmer members. Farmers are also citizens of Canada,
7 and view the problems of transportation in Canada as
8 national in scope. The necessary solutions, we suggest,
9 can be found and implemented only by a sincere and
10 cooperative effort on the part of all segments of
11 the Canadian economy. We shall try to be guided by
12 this concept.

13
14 The Crow's Nest Pass Agreement, and the
15 freight rates on grain which are a part thereof have
16 been discussed at length before this Commission. We
17 believe that this is only a part of the railways' pro-
18 blem, and cannot be solved by itself. It is one of
19 the many facets of the Canadian transport problem which
20 must be examined in an attempt to find a solution to
21 the whole.

22 Passenger traffic: Another facet of the
23 problem is rail passenger traffic. From time to time
24 news reports are made public to the effect that the
25 railways are losing money on their passenger runs.
26 On many local lines this is self-evident. Trains often
27 run with almost empty coaches, a situation which must
28 contribute substantially to any rail deficit. A few
29 months ago, statements appeared in the press, attri-
30 buted to officials of our railway companies, to the



1 effect that transcontinental passenger services were
2 uneconomical, and would have to be reduced. We
3 understand that this has not been done, due to public
4 opposition. If such needed economies cannot be
5 effected, due to public opposition, then we suggest
6 that the public must absorb the loss, presumably through
7 the public treasury.

8
9 Local Freight Traffic: Our observations lead
10 us to believe that many local lines must operate at
11 a loss in the matter of freight haul. Twice a week
12 freight service, for example, cannot compete, in the
13 matter of local supply, with the fast, adaptable fleet of
14 trucks which are now found in every community. As a
15 result, ingoing rail freight has all but disappeared
16 from many of our local railway lines.

17 Outgoing rail freight from our thousands of
18 prairie communities is likewise drastically reduced.
19 These communities are agricultural, producing mainly grain
20 and livestock. The former is almost all moved by rail.
21 Livestock, which makes up the other large volume of
22 agricultural produce, is being moved to market more and
23 more by truck. We believe this trend will increase, due
24 to the greater convenience, mobility and speed of the
25 truck. Under these circumstances, many local spur
26 lines may be operating at a loss. This problem must
27 be resolved, and still maintain satisfactory transpor-
28 tation services for the people concerned.

29 Wherever local lines are operating at a loss,
30 we believe that serious consideration should be given



1 to progressive reduction of service, to the point of
2 abandonment, over a period of time, if this appears
3 necessary. The grain handling facilities could still
4 be used for local storage, and the grain moved to the
5 nearest line by truck, at much less cost. If the
6 individual farmer's market haul is thereby increased
7 it would be necessary that he be compensated for the
8 added cost.

9
10 These are examples of the problems which must
11 be considered and resolved on their own merits quite
12 apart from any possible losses attributable to grain
13 rates.

14 Grain Traffic: We believe that grain is
15 unique in at least three respects, as a freight com-
16 modity. In the first place the volume constitutes
17 the greatest single commodity by far, on our prairie
18 rail lines. In the second place it is a very easy
19 product for the railways to handle. They provide no
20 warehousing, loading or unloading facilities. There
21 is little danger of spoilage or damage in transit, and
22 no special equipment is needed. In the third place,
23 the volume of grain handled, and the location of the
24 terminals means that large trains of fully loaded
25 cars are made up for long hauls, with a minimum of stops
26 and an optimum use of equipment. Thus Western Canadian
27 grain is an attractive freight commodity, and should
28 move at very low rates. We point out further that
29 while freight rates are much higher today than they
30 were when the Crow's Nest Rates were established, they



1
2 were set far too high at that time -- so much so that
3 they were voluntarily reduced by ten per cent by the
4 railways in 1902, and remained at this level for 17
5 years. Furthermore a trainload of grain in 1960 is many
6 times greater than in 1897, and the per bushel freight
7 cost must be far less in terms of constant dollars --
8 assuming that our railways are making use of the most
9 modern and efficient equipment and techniques.

10 Export Grain and the Canadian Economy: Prior
11 to the last war Canada was not a major industrial
12 country. The development of our natural resources
13 and the supplying of our peoples' needs required the
14 importation of vast quantities of material and supplies,
15 much of which came from abroad. These imports were paid
16 for very largely by the export of wheat. In 1877
17 the first wheat was shipped to Britain from the prairies.
18 Fifty years later, in 1927, Canada was exporting an
19 average of nearly 300 million bushels yearly. The
20 value of wheat exported from Canada for the past forty-
21 year period, 1910-1950, was \$9 billion. Without this
22 stabilizing income the Canadian trade deficit would
23 have^{been}/overwhelming, and the development of Canada
24 would have been substantially slower than it has been.
25 Wheat has therefore been a major factor in the develop-
26 ment of the economy of Canada, and any action which
27 affects the welfare of the wheat industry becomes a
28 problem of the people of Canada, not just the problem
29 of the wheat grower.

30 Canadian wheat for export is grown far inland



1 from the sea coasts, as compared to some competing
2 countries. To keep this great balance wheel of the
3 Canadian economy in a competitive position with these
4 trade rivals, is primarily a problem for all of the
5 people of Canada -- not for the wheat growers alone.
6 This should be borne in mind in the event that the
7 present rail rates on grain can be proven to be in-
8 adequate.

9
10 It is our belief that this concept that the
11 wheat business was of national concern was recognized
12 and accepted when the Crow's Nest Pass Agreement was
13 consummated between the C.P.R. and the Government of
14 Canada. In return for a commitment by the company
15 to place prairie grain in an export position, at a
16 price which would meet world competition, the company
17 received certain cash gifts and certain valuable assets.
18 The company's commitments were in perpetuity. Likewise
19 the returns from the assets are in perpetuity. The
20 cost of transporting the grain may have increased.
21 The value of the assets and the return from them have
22 also increased. In the balance of our economy these
23 changes should be reasonably proportionate.

24 These assets have been tremendously profitable
25 to the C.P.R. and their value appears to be assured for
26 a long time to come. We are unable to agree that they
27 are not part and parcel of the Crow's Nest Pass Agree-
28 ment. It seems certain that, if the C.P.R. had not
29 built the Crow's Nest Line, they would not have acquired
30 the Trail Smelter in 1898. Nor would they have



1 acquired three and three-quarter million acres of land
2 from the Canadian Government, and another 270,000 acres
3 thrown in with the purchase of the smelter and its
4 associated rail line. The possession of these pro-
5 perties are all part of the same deal -- the Crow's Nest
6 Agreement. If any part of this Agreement is to be
7 examined, then we contend that every factor of that
8 Agreement must be examined. The Agreement was a
9 solemn and binding contract. It cannot properly be
10 changed. It can only be rewritten by mutual agreement,
11 and this means a complete re-evaluation of every clause.

12
13 National Policy and Railway Construction:

14 The building of railways on the prairies was a relative-
15 ly low cost programme. The comparatively level topo-
16 graphy, the direct routes which this made possible, and
17 the ease of grading and drainage, meant that the area
18 of high freight yield coincided with the area of low
19 construction costs. Conversely, we have the Pre-
20 cambrian Shield of Northern Ontario, where there is
21 virtually no local freight yield, and the very high cost
22 of crossing the Rocky Mountains, where local traffic
23 is likewise very low over large areas. Extending the
24 railways across Northern Ontario and through the
25 Rockies (at tremendous cost) was primarily a national
26 policy, arising from the need to unify Canada. This
27 cost, and the problems arising from it must therefore
28 be borne by the nation as a whole, not by any particular
29 segment or industry.

30 The Development of Transportation other than



1 Railways: Transportation by trucks, automobiles and
2 buses has cut heavily into the rail business. Air
3 travel and the movement of petroleum products by pipe
4 line have recently caused a further decline in rail
5 revenue. Loss of rail business to these rival
6 systems has been a major factor in reducing railway
7 earnings.

8 It is worthy to note that grain is about the
9 only long haul freight commodity which has not been
10 largely lost to other forms of transportation. Coal,
11 the other bulk commodity produced in the West, is no
12 longer an important product. Even Her Majesty's mail
13 is hauled by truck and aeroplane. Trucks, buses,
14 pipe lines and cars have cut heavily into almost every
15 other line. But grain remains a monopoly of the
16 railways. We are concerned that this situation is
17 not exploited by loading a greater share of rail
18 freight charges on this captive trade.

19 Mechanization and Labour Productivity.

20 Farm Adjustments: In our industry --
21 agriculture -- farm population had decreased by over
22 one per cent per year for the past twenty years, while
23 the size of the farms has increased by roughly 40 per
24 cent. Since 1940 the productivity of farm labour has
25 increased by 51 per cent, while the investment in farm
26 machinery has more than doubled. Our wheat acreage has
27 changed by as much as 20 per cent since 1950, and new
28 crops have been widely introduced, as our farmers
29 have tried to adapt to meet changing conditions. The
30



1 many thousands of farm families who have become the
2 victims of these technological changes have had to make
3 their own readjustments without any outside help.
4 This ability to change, to adapt to new conditions, is
5 a continuing test for any individual or industry.

6 Labour Adjustments: We are concerned about
7 the charges of "featherbedding" as directed at labour
8 unions. Are these charges justified? And how serious
9 are they? Canadian farmers have been greatly disturbed
10 by the recurrent disputes between the railways and the
11 unions which serve them. We have often felt that we
12 were the victims of these disputes, although we had
13 no part in them. We realize that the railways must
14 receive financial returns which enable them to continue
15 to operate efficiently, and also that labour must re-
16 ceive wages which will provide a reasonable standard of
17 living. But we do object to having the farmers left
18 out of this equitable arrangement. To be specific, if the
19 wages of railway workers are to be increased, the neces-
20 sary money must not come from increased grain rates,
21 which would further widen the disparity between the
22 general wage level in Canada and the returns received
23 by farmers. We request that serious attention be
24 given to wage levels, labour costs, and efficiency, at
25 all levels of railway operation. For example, has the
26 productivity of railway workers, at all levels, increased
27 significantly, as it has in agriculture?

28 Railway Adjustments: With all due respect
29 to those concerned, we ask that the management policies
30



1 of our railways be carefully examined. There is a
2 duplication of lines in many areas. Are these neces-
3 sary? Are our railways competing where they should
4 cooperate? A degree of competition may be healthy,
5 but it can easily develop to a point where the result
6 is only added overhead and additional cost. It would
7 appear to us that a policy of cooperation, to make the
8 most efficient use of available facilities, would
9 serve the best interests of the nation.

10
11 Competition and Minimum Rates: We doubt that
12 unrestrained competition in transportation is in the
13 best interests of the industry or of the public. In
14 the trucking industry in particular, the "in and out"
15 operator frequently cuts rates to the point where sound
16 business operation is no longer possible, and this will
17 undoubtedly be reflected in the quality of service.
18 We suggest that consideration be given to the establish-
19 ment of basic minimum rates for all forms of trans-
20 portation as a means of preventing unreasonable price
21 wars.

22 Agreed Charges: We are concerned over the
23 practice of setting up agreed charges by our railways.
24 Do agreed charges always meet the costs involved? If
25 they do, then are other shippers being overcharged for
26 shipments of similar products? If agreed charges are
27 not high enough to meet the costs, the loss must ob-
28 viously be charged elsewhere. We believe that the
29 practice of setting up agreed charges is one in which
30 one form of transportation could be matched against



1
2 another until no profit could result to either -- an
3 unbusinesslike arrangement which could lead only to
4 a worsening of the railways' financial position.

5 We suggest drastic changes will be necessary
6 to evolve the efficient and effective transportation
7 system Canada must have. The efficiency of our
8 transportation system would certainly be increased if
9 it was operated as an integrated unit instead of with
10 the duplication of services that has developed. To
11 this end all railways in Canada, together with trans-
12 continental air lines should be nationalized and
13 operated as a unit. It might very well be in the
14 nation's interest to consider including pipe lines and
15 long distance trucking.

16 In such unified transportation system, all
17 facets of transportation could be used to the very best
18 advantage. Duplication and wasteful competition would
19 be reduced to a minimum. While we realize any sug-
20 gestion of nationalization is not popular in a free
21 enterprise economy, it is doubtful whether Canada can
22 any longer afford the luxury of costly duplication and
23 resultant inefficiency in its transportation system.

24 As long as railways remain important to the
25 overall economy of Canada, any losses which they incur
26 cannot properly be charged to any particular industry,
27 but must be borne by the Canadian economy as a whole.
28 In return for this the people of Canada must be pro-
29 vided with an efficient transportation, at a cost
30 commensurate with the national ability to pay.



1
2 In conclusion, we go back to our first state-
3 ment, that transportation is essential to our Canadian
4 economy, and that the solution to that industry can only
5 be found through a sincere and cooperative effort on
6 the part of all concerned, and must embrace the whole
7 of the transportation problem, not one segment alone.

8 MH. FRAWLEY: Q. Mr. Nelson, have you
9 anything to add to the written memorandum you have
10 submitted?

11 A. Well, I think, sir, that I prefer to
12 leave it to the questions and answers. There is a
13 great deal that I could add, but I don't know whether
14 it would really add anything to the basis of the sub-
15 mission.

16 Q. Well, will you please answer the ques-
17 tions of these gentlemen here.

18 THE CHAIRMAN: I think we will adjourn now
19 until two o'clock.

20 ---Luncheon adjournment.
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1 ---On resuming at 2.00 p.m.

2
3 THE CHAIRMAN: Very well, Mr. Cooper.

4 CROSS-EXAMINATION BY MR. COOPER:

5 Q. Mr. Nelson, for the purposes of the
6 record, can you tell us how many members the Farmers'
7 Union of Alberta has?

8 A. The total membership in farm families
9 at the end of last year's membership was 30,000. I
10 haven't the exact figure of the odd hundreds over the
11 thirty thousand, but it is a little over thirty thousand
12 farm families. Of those, breaking it down into indivi-
13 dual members, it was 64,000 members.

14 Q. How are you organized -- in local groups
15 and then district groups and then a central organization,
16 or what?

17 A. Actually, that is correct, at the local
18 level, with the members in that particular area being
19 members of that local. They, in turn, are members of
20 a district of which there are fourteen in the Province
21 of Alberta, and the fourteen districts together make up
22 the provincial organization.

23 Q. I direct your attention, Mr. Nelson, to
24 paragraph 3 of your submission which is headed "Passenger
25 Traffic". You state:

26 "Trains often run with almost empty
27 coaches, a situation which must contribute
28 substantially to any rail deficit."

29 Does the Farmers' Union of Alberta consider that the
30



1 railways should be permitted to discontinue passenger
2 service in any case where the railways can prove that
3 the service can only be continued at a loss?

4 A. The Farmers' Union believes that any type
5 of traffic, either passenger traffic or freight traffic,
6 should be handled in such a way as to give access to the
7 best means of transportation, possibly at the lowest
8 possible cost.

9 Now, if it is possible to maintain the service
10 necessary by other means, then we would suggest that little
11 by little the service be made to coincide with that
12 policy.

13 Q. Well, you would visualize, first, then,
14 in the case of passenger traffic that the railways, if
15 they wish to abandon a passenger service, would first
16 have to establish that they were losing money?

17 A. And secondly that it would be possible to
18 maintain service for the people in that area before it
19 was abandoned.

20 Q. Would you put the onus of maintaining
21 such service by some alternative means on the railways,
22 or what have you in mind there?

23 A. I think that in this case the onus would
24 have to come on the federal government, and probably
25 through the Board of Transport Commissioners.

26 Q. That might involve payment of a subsidy
27 or allowance of some sort from the federal treasury?

28 A. That is right.

29 Q. Now, you say in paragraph 6 of your
30



1 submission:

2 "Wherever local lines are operating at a
3 loss, we believe that serious consideration
4 should be given to progressive reduction of
5 service, to the point of abandonment, over
6 a period of time, if this appears necessary."
7

8 Now, perhaps you have already touched upon this topic
9 when you spoke a moment ago of passenger traffic. But,
10 do you consider that the railways should be permitted
11 to abandon branch lines in any case where they can
12 establish that the branch line can only continue to
13 be kept in operation at a loss?

14 A. Well, I think substantially the same
15 answer would apply.

16 Again, it would be a question of being able
17 to provide the necessary service for the people con-
18 cerned. Now, we believe that if the cost becomes
19 prohibitive to keep a rail line in operation, then
20 some alternative should be found to that to make the
21 transportation costs less.

22 Q. I see you also state in paragraph 6:

23 "If the individual farmer's market haul is
24 thereby increased, it would be necessary that
25 he be compensated for the added cost."

26 Has the union in mind there payment of a subsidy or some
27 allowance from the federal treasury as well as the
28 payment with respect to passenger services discontinued
29 with increased inconvenience and so on to the people
30 living in the area?



1
2 A. In cases where this cost becomes unneces-
3 sarily high or that is, I would say, indiscriminatorily
4 high, because I think that we must recognize that people
5 were originally asked to fill in areas that were open
6 for settlement and, as such, the responsibility then
7 falls on the people of Canada to either maintain those
8 people on the same basis as anybody else, or relatively
9 so, or make provision for a change of some kind, bearing
10 in mind always that we want to provide transportation
11 facilities that are necessary to do the job to get
12 the product to the markets.

13 Q. Well, perhaps you would say, though, that
14 if it is in the public interest for unremunerative
15 passenger services and branch line services to be kept
16 in being, then there should be some subsidy to com-
17 pensate the railways for loss of revenues; is that the
18 situation?

19 A. That is correct.

20 Q. On page 3 you state, at the top of the
21 page, the last sentence of paragraph 7:

22 "Furthermore a trainload of grain in 1960
23 is many times greater than in 1897, and the
24 per bushel freight cost must be far less in
25 terms of constant dollars -- assuming that
26 our railways are making use of the most modern
27 and efficient equipment and techniques."

28 Now, it may be, Mr. Nelson, that you are not able to
29 assist the Commission in this matter, but if you can,
30 can you give the Commission an answer to this question:



1 Do you consider that the railways are in fact making use
2 of the most modern efficient equipment and techniques?

3 A. I believe that essentially the railways
4 are changing over, shall I say, to the best equipment
5 and the most modern techniques, but we question whether
6 they are making use of all the facilities in this regard,
7 and that is there is a possibility that we are duplicating
8 services in some areas, including the transcontinental
9 runs that might very well in some manner be used to
10 better advantage.

11 Q. But that is the only specific example
12 that you can assist the Commission with, where the rail-
13 ways may not be making use of the most modern and
14 efficient equipment and techniques, and perhaps that
15 goes rather to coordination of services rather than
16 efficient equipment and techniques?

17 A. I would say yes.

18 Q. Now, on page 4 you have a figure there
19 in paragraph 10, after speaking about the Crow's Nest
20 Pass Agreement. You say in this sentence:

21 "Nor would they have acquired 3 3/4
22 million acres of land from the Canadian Govern-
23 ment, and another 270,000 acres thrown in with
24 the purchase of the smelter and its associated
25 rail line."

26 What is the source of that figure of 3 3/4 million
27 acres of land and also the source of the 270,000 acres?

28 A. The source of the 3 3/4 million acres of
29 land is taken from a booklet put out by the Alberta Wheat
30



1 Pool, under the authorship of Leonard D. Nesbitt, which
2 to our knowledge has not been disputed to any extent,
3 in which he says -- and this could be construed --
4 the terminology may not be entirely correct in our
5 statement -- but this is the way it is here:

6 "The Province of British Columbia, anxious
7 to obtain the Crow's Nest Line, gave a grant
8 to the company of 3,620,000 acres of land,
9 including mineral rights."

10 This would indicate that the land was donated by the
11 Province of British Columbia, and not by the federal
12 government.

13 Q. Is it your understanding that that number
14 of acres of land was given by the Province of British
15 Columbia as part and parcel of the Crow's Nest Pass
16 Agreement?

17 A. It would appear that it was part of the
18 Agreement, but that it was not one that the federal
19 government entered into, but was in addition to the
20 federal government's submission.

21 Q. Now, according to my information, and I
22 might refer you on this matter to the report of the
23 Turgeon Commission, where the Commission deals with the
24 Crow's Nest Pass rates, and the benefits that the railway
25 obtained are set out there at page 239:

26 "The line of railway was built, the
27 government paid the company a subsidy of
28 \$3,404,720, and the agreement concerning
29 freight rates became fully effective on
30



1 September 1, 1899."

2 Then, on page 204, in the last sentence of
3 the first complete paragraph on that page, this occurs:

4 "Moreover, the completion of the line
5 entitled the company to a grant from the
6 government of British Columbia of 250,000
7 acres of land in that province; but here it
8 must be noted that out of this grant the
9 company agreed to convey, and did convey,
10 50,000 acres of coal-bearing land to the
11 Government of Canada."

12 Did I understand that you considered or
13 were under the impression that this 3 3/4 million
14 acres of land was a part of the Crow's Nest Pass
15 Agreement?

16 A. That was our understanding, yes.

17 Q. What about the 270,000 acres which you
18 mention also in that sentence that I have referred to?

19 A. This reference to the 270,000 acres is
20 taken, of course, from the Winnipeg Free Press of
21 December 16th, 1959 -- a press release on the Crow's
22 Nest hearings, giving access to it, and the land grant
23 of 270,000 acres earned by the rail construction. Now,
24 this is in connection with a 33-mile long rail link --
25 the Columbia and Western Railway. It is in conjunction
26 with some of the property acquired, we understood, or
27 in conjunction with the original deal.

28 Q. When you say the original deal, are you
29 referring to the Crow's Nest Pass Agreement?
30



1 A. Yes.

2 Q. But, in any event, that is the source of
3 the figure ---

4 A. Yes, that is right.

5 Q. That 270,000 acres that you have given
6 there?

7 A. That is right, yes.

8 Q. In paragraph 12, this sentence occurs:

9 "Coal, the other bulk commodity produced
10

11 in the West, is no longer an important product."

12 Now, my information is that a good many tons of coal
13 are produced in the West, and I just wondered the source
14 of that statement.

15 My information is that there is about $2\frac{1}{2}$
16 million tons per year of lignite in Saskatchewan, and
17 perhaps in excess of 3,000,000 tons per year produced
18 in Alberta and British Columbia?

19 A. Well, we were speaking in terms, of course,
20 of comparison with the importance of coal in the past,
21 as it is at the present time, and looking into the
22 future, considering the conversion in many cases from
23 coal to oil and gas. And our feeling was that this
24 conversion might very well continue to a point where
25 coal would be a relatively small portion of any freight
26 haul.

27 Q. Perhaps that statement, then, although
28 expressed in the present tense, rather looks to the
29 future; is that correct?

30 A. That is more correct, I think.



1
2 Q. Now, in paragraph 13, on page 5, you
3 have a number of figures there:

4 "In our industry -- agriculture -- farm
5 population had decreased by over one per cent
6 per year for the past 20 years, while the size
7 of the farms has increased by roughly 40 per
8 cent."

9 And, then, you go on with other figures. What is the
10 source of those figures?

11 A. These are largely DBS figures.

12 Q. DBS?

13 A. Yes.

14 Q. But not entirely so?

15 A. Well, DBS, of course, gives specific
16 figures for specific terminology. These were for the
17 purposes envisaged here -- just lumped together wherever
18 it was necessary, just to make a picture, actually.

19 Q. Was there any other source other than DBS?

20 A. No.

21 Q. Now, you say there also:

22 "Our wheat acreage has changed by as
23 much as 20 per cent since 1950."

24 Am I to understand from that statement that the wheat
25 acreage is as much as 20 per cent less since 1950?

26 A. Wheat acreages were reduced after 1950,
27 and land put into other crops, such as small seeds, and
28 things of that nature. And it has continued so up
29 until last year, when there was an increase in wheat
30 acreage, but still not anywhere near the figure of 1950.



1 Q. You mention "new crops", and you have
2 mentioned one. Can you enlarge on that and just indi-
3 cate what new crops can now be grown on the acreage which
4 was previously growing wheat?

5 A. Well, rapeseed, of course, is one of the
6 new crop that has come into prominence in Western Canada.
7 In some isolated areas, sunflowers, various seed crops
8 that enter, of course -- I think that there has been
9 some change in the coarse grains as well; but, largely,
10 these small seeds are the ones that make up the new
11 crops, changing from the wheat acreage.

12 Q. And largely rapeseed?

13 A. Yes. I think rapeseed is the largest
14 percentage.

15 Q. In paragraph 16 on page 6, you say, in
16 the last sentence:

17 "We suggest that consideration be given to
18 the establishment of basic minimum rates for
19 all forms of transportation as a means of
20 preventing unreasonable price wars."

21 Is the Farmers' Union there suggesting some overall
22 regulatory body that would be charged with the duty of
23 fixing rates for all agencies of transportation, at
24 least, minimum rates?

25 A. The Farmers' Union, of course, are only
26 suggesting that this appears to be something that is
27 necessary to keep freight rates from becoming chaotic.
28 The organization has not studied ways and means by which
29 this could be brought about. It might be done in a
30



1 manner such as you suggest, but on the other hand it
2 might be done by other means as well.

3 Q. Paragraph 18, also on page 6, you say:

4 "To this end all railways in Canada,
5 together with transcontinental air lines
6 should be nationalized and operated as a
7 unit."

8 Stopping there for the moment, may I ask if there has
9 been a formal resolution of the Farmers' Union of
10 Alberta to the effect that all railways in Canada, to-
11 gether with TCA, should be nationalized and operated
12 as a unit?

13 A. The policy of the Farmers' Union of
14 Alberta has always been that wherever it is to the
15 nation's best interest to so do that, and where a
16 monopoly might exist, that nationalization might be
17 in the best interests of the people as a whole, and
18 for this reason it has always been a policy of the
19 organization.

20 Q. Not nationalization, as was said in
21 Regina, for nationalization's sake, but you consider,
22 or the union considers that nationalization would lead
23 to better efficiency?

24 A. Better, providing services necessary
25 for all people concerned.
26
27
28
29
30



1 Q. Does that apply, as I presume it does
2 from what is here, Mr. Nelson, also to the pipe lines
3 and long distance trucking?
4

5 A. Yes, that is right. Of course, here we
6 are visualizing the fact that it requires so many
7 dollars and cents to provide the service necessary in
8 the transportation of goods and services, and the pur-
9 pose naturally would be to set up a transportation --
10 whatever is necessary to transport goods and services
11 in such a way that you make use of the most efficient
12 part of that total operation, and we don't believe it
13 can be done any other way than through nationalization.
14 It might very well take in pipe lines and any other
15 facilities necessary.

16 Q. Thank you.

17 MR. HUME: Now, Mr. Nelson, apropos
18 of Mr. Frawley's remarks about the handsome gentlemen
19 at the council table, let me assure you that as the
20 questions move from the left hand side to the right hand
21 side that the questioners get more handsome, but the
22 questions get tougher.

23 MR. SINCLAIR: Flattery will get you nowhere.

24 MR. HUME: And when you finally get to the
25 Commission themselves, you will realize fully my re-
26 marks.

27 MR. SINCLAIR: Flattery will get you nowhere.

28 CROSS-EXAMINATION BY MR. HUME:

29 Q. So that I may identify my interest and
30 duties to you, my name is Fred Hume and I am representing



1 the Canadian Trucking Association.

2
3 There were two or three matters which arose
4 in your brief which I would like to discuss with you, and
5 the first appears on page 2. Now, if you don't mind
6 turning to paragraph 4 in which you said in your brief
7 in making your point about the increase in local traffic,
8 you say:

9 "Twice-a-week freight service, for
10 example, cannot compete, in the matter of
11 local supply, with the fast, adaptable fleet
12 of trucks which are now found in every com-
13 munity."

14 My question, Mr. Nelson, is whether or not in your
15 Province of Alberta, where I presume your members repre-
16 sent most of the areas of the province, that in your
17 province there is a fairly extensive service by truck
18 lines to the various communities in the province?

19 A. To the best of my knowledge truck service
20 is available in practically every part of the province.

21 Q. And do I understand the point which your
22 brief is making is that because of that fact, and with
23 the adjectives that you use with respect to the use of
24 them, that this is having, as I understand your brief,
25 an adverse effect on railway freight revenue?

26 A. It doesn't appear that the railways are
27 able to compete with the trucks, possibly because of the
28 added service that the trucks are able to give to the
29 people along the line.

30 Q. By "added service", Mr. Nelson, you raise



1 the next point I was going to discuss with you. Would
2 you agree, sir, as a farmer, that the use of competitive
3 means of transportation such as the trucking industry,
4 that there are factors other than rate that determine the
5 use of the trucking industry, such as flexibility, as
6 you say, and service and the availability of the trucks
7 to move into the farmer's back yard and so on?

8 A. I think it is a question that deals
9 primarily with change, and the trucking industry has
10 certainly brought a change in the trend and in the use
11 of a lot of transportation facilities, and certainly the
12 ability or the mobility of trucks has brought into use
13 a different principle than the farmers were used to in
14 the past.

15 Q. Then, may I go from there to ask you
16 this. Most Alberta farmers, I presume, own one or more
17 trucks for their own use?

18 A. I don't know whether I would go so far
19 as to say most of them do.

20 Q. But a great many do; will you agree with
21 that?

22 A. Yes.

23 Q. And that one of the factors that they have
24 considered, is that it is just not the "for-hire" indus-
25 try, but a great many farmers are now able to provide
26 their own transportation with their own vehicles in
27 bringing supplies back to the farm from the nearest
28 shopping centre, and in carrying their livestock and
29 grain to the dispersal points; is that not so?
30



1 A. That is true.

2 Q. In paragraph 6 of your brief you say:

3 "The grain handling facilities could still
4 be used for local storage, and the grain moved
5 to the nearest line by truck, at much less
6 cost."

7 Are you referring there to the use by a farmer of his own
8 truck, by the for-hire industry, or a combination of both?

9 A. We were thinking in terms of the for-hire
10 industry, actually, because it becomes a question of
11 cheaper transportation, and it would of necessity require
12 a different type of transportation than the farmer is
13 able to provide for himself.

14 Q. And is it a fact, Mr. Nelson, that haulage
15 of grain to the nearest line by truck -- is it cheaper
16 by the for-hire industry than any other method which
17 you now use?

18 A. I am not sure I get that question.

19 Q. I say, is what you envisage in your answer
20 is
21 in this quotation, ~~the~~ cost by the use of the for-hire
22 industry which you just mentioned, is it in effect in the
23 method now being used?

24 A. It would, in fact, be cheaper to the
25 people concerned, but we have not analysed it far enough
26 to say that by including the cost of highways that we
27 know exactly where the line might be drawn.

28 We are only suggesting here that a study be
29 made of this type of change, and that if this is shown to
30 be cheaper as we feel that it could be, then that mode of



1 transportation might be used than the local or the spur
2 lines.

3 Q. May I ask you to look again at paragraph
4 6 and at the last sentence of that, and I may be just a
5 little dense but I don't understand it, I can't recon-
6 cile the two sentences which you point out: ". . .
7 grain moved to the nearest line by truck, at much less
8 cost," and your final sentence says: "If the indivi-
9 dual farmer's market haul is thereby increased, it
10 would be necessary that he be compensated for the added
11 cost."

12 Will you explain what you mean by that?

13 A. Here, of course, I may have to use an
14 example to show you what I am thinking of. Normally,
15 with the rail lines in existence, the farmer is required
16 to haul his grain a certain distance to get it to market.
17 Now, if you were to take that rail line out of existence,
18 and by so doing make it necessary for him to haul his
19 grain, say, one hundred miles or sixty miles further
20 than he had to haul it before, and that would be a
21 discriminatory higher price for him to get his grain to
22 market, and we feel that either the railways or the
23 government should provide a means of transportation
24 from the original market point, which would be from the
25 elevator in this particular case.

26 Q. Now, just arising out of your remarks,
27 does much grain move by truck in Alberta, say, distances
28 in excess of one hundred miles?

29 A. I have no figures to show you the actual
30



1 amount of grain that has moved that distance, but in
2 the past four or five years, with the heavy movement
3 of the grain that has been taking place, because of the
4 excess production in certain areas and a shortage in
5 other areas, a large amount of grain has been hauled
6 by that method, but I can't give you the figures.

7
8 Q. In any event, in the province of Alberta
9 the trucking industry and the private truckers are
10 permitted to use a tandem truck, which is not allowed
11 in some provinces; in fact, I have seen one since I
12 have been here.

13 A. Yes.

14 Q. Is much grain hauled by the tandem
15 truck?

16 A. In certain areas quite a lot of grain
17 has been hauled in the last three or four years.

18 Q. As a farmer you know that this is quite
19 an extensive movement in the United States where the
20 rates are on a little different basis?

21 A. Yes, that is right.

22 Q. And that the hauls are, in some cases,
23 in the United States considerably in excess of several
24 hundred miles?

25 A. I am not aware of that.

26 Q. Now, sir, would you be good enough to
27 turn to page 4, and the only question I want to put
28 to you about paragraph 12 is that you say in your
29 opening sentence in paragraph 12:

30 "Transportation by trucks, automobiles



1
2 and buses have cut heavily into the rail business", and
3 I just want to, for the purposes of clarification,
4 have you agree with me, if you will, that the competi-
5 tion to which you refer so far as the trucking industry
6 is concerned, is not only the for-hire trucking industry,
7 but the ability of the farmer and the manufacturer to
8 provide his own transportation in his own truck.

9 A. For competitive purposes, yes.

10 Q. So that it is not just the industry that
11 I happen to represent here; it is everybody who has
12 the ability to buy a truck and provided he is moving his
13 own goods in his own truck.

14 A. Yes.

15 Q. And in this province, if you are moving
16 somebody else's goods for compensation, you have to be
17 licensed under the Provincial Regulation.

18 A. Yes.

19 Q. Finally, Mr. Nelson, if you would be
20 good enough to turn to the top of page 6 where you make
21 your suggestion with respect to minimum rates, and in
22 order that I may just understand it, may I paraphrase
23 what you are trying to say as this, and if I have
24 paraphrased it incorrectly, please correct me; what
25 you are suggesting is that instead of regulatory bodies
26 who do regulate rates by putting a ceiling on them,
27 what you are suggesting is they put a floor so that
28 competitive forces, or whatever it was, could not
29 reduce transportation costs below a certain minimum.

30 A. Well, I think you are essentially
correct, except that we are not particularly concerned
with the maximum or the minimum here, but we are



1
2 rather concerned with the facilities made available that
3 the lowest possible costs of bringing the goods and
4 services be embodied in it. It would be simply a
5 question of suggesting that possibly agreed rates are
6 not compensatory in themselves, and that they have a
7 bad effect on the overall transportation problem, and
8 this is the thing which we want to try to avoid as much
9 as possible. We want to put it on a businesslike
10 basis where proper remuneration is provided for whatever
11 facilities are used and required.

12 Q. Mr. Nelson, the sentence in your
13 paragraph 16, as I interpret it, has a suggestion to
14 this Commission that they consider the establishment
15 of basic minimum rates for all forms of transportation
16 as a means of preventing unreasonable price wars, and
17 I further read that sentence as indicating you don't
18 want competitive forces to bring down transportation
19 costs, and in place of that you want a fair price,
20 below which they would not be permitted to go. To
21 quote your language, you say, "preventing unreasonable
22 price wars"?

23 A. That is right.

24 Q. Does the farmer's union have any juris-
25 diction where such a floor price on transportation as
26 that has been put into effect or tried in any country
27 or anyplace in Canada?

28 A. No, I couldn't give you any idea.

29 Q. It is a new idea with respect to regula-
30 tion, I take it?

A. I don't presume to provide new ideas



1
2 at all. It is an idea.

3 Q. You single out the trucking industry
4 as an example of what you are trying to accomplish,
5 when you point out, "the 'in and out' operator fre-
6 quently cuts rates to the point where some business
7 operation is no longer possible", and this reflects
8 on service, and I presume it is as true in Alberta as
9 anywhere in Canada, that if a truck operator gets his
10 rates to the point where he cannot operate economically,
11 he goes bankrupt.

12 A. That is right, and the same thing
13 happens in farming.

14 Q. That is quite right. It is not quite
15 the same thing as some of the other modes of
16 transportation have, is it?

17 A. No. It is the same thing as it is with
18 farming; if you have enough reserve behind you, you
19 can operate at a loss for a considerable length of
20 time and still stay in business. On the smaller
21 operation you go out.

22 Q. In the case of Canadian National
23 Railway, if they cut rates to a point, to quote your
24 brief, they don't necessarily go bankrupt as the farmer
25 or the truck operator does; is that not so?

26 A. Not as long as they can operate and
27 get resources from other places.

28 Q. Well then, the quality of the service you
29 fear will be affected doesn't last very long because
30 the operator will disappear from the scene.

A. It may or may not last long. It would



1
2 depend largely on the type of operator, and I think our
3 main concern is not so much what happens at that parti-
4 cular time, but what happens to the overall picture in
5 the long run.

6 Q. Mr. Nelson, arising out of that, do I
7 interpret this sentence in your paragraph 16 as being
8 a reflection of the experience in Alberta? In other
9 words, are there many "in and out" operators in the
10 trucking industry who cut rates and give poor service,
11 or is your trucking service generally good and are your
12 truck operators on the increase?

13 A. We don't have any figures to go along
14 with this; we merely go by experience as we see it
15 around us. It is still true that there are some
16 truckers that go out of business. I don't think that
17 it is as noticeable today as it was ten years or more
18 ago. Certainly there are more trucks and truck
19 companies in the business, or at least there are more
20 trucks in the business all the time.

21 Q. And the truck registrations are increas-
22 ing in this province?

23 A. That is right.

24 Q. And the amount of goods is steadily
25 increasing as you said in your brief?

26 A. Yes.

27 Q. In paragraph 18, when you suggest
28 nationalization, I don't wish to get into any argument,
29 but what do you define as long distance trucking and
30 where would you draw the line between the line which you
nationalize and let run free?



1
2 A. This, of course, is something that would
3 have to be determined after a long and careful study.
4 We are not prepared to lay down any particular line or
5 any particular rules; all we are concerned with is
6 efficient transportation necessary to move the nation's
7 goods.

8 Q. You are suggesting that it might be in
9 the nation's interest to consider, including pipelines
10 which presents no problem, -- that would be on pipe-
11 lines, I take it -- but you qualify trucking as refer-
12 ring to the long distance trucking, and I was wondering
13 if your union had any ideas on what you meant. For
14 example, Trans Canada Highway Express and Midland are
15 two companies running from Edmonton to Montreal on a
16 daily service.

17 A. Yes.

18 Q. Would you call them a long distance
19 trucker?

20 A. Yes, naturally.

21 Q. What about the trucking concern that is
22 serving between Edmonton and Calgary; is that a
23 long distance trucker?

24 A. I think that would be, as I said, a
25 case for study, but I would only be giving you an opinion
26 if I said it was either long distance or not. It would
27 be a question entirely on how it relates to the neces-
28 sity of controlling the trucking industry or the rail
29 industry, to make the best use of the facilities
30 available. If trucking in that area was the proper
method, then all of the trucking may be reverted to



1
2 trucks and so on, whatever was the proper method.

3 Q. Perhaps that is a Utopia and possibly
4 some day we will reach it. Now, suppose you can arrive
5 at a distance on long distance trucking; the amount
6 you take over as opposed to the amount you don't,
7 would you also include in that nationalization some
8 prohibition to prevent an individual from moving his
9 own goods long distances by truck if he didn't like
10 the national lines or the rates that were set.

11 A. I don't think we visualized going that
12 far at all.

13 Q. Thank you very much.

14 CROSS-EXAMINATION BY MR. DICKSON:

15 Q. Mr. Nelson, just one or two questions.
16 We have met, so I will not bother introducing myself
17 to you.

18 My questions relate in the main to paragraph 6
19 of your statement, and I believe the leading sentence
20 there reads as follows:

21 "Wherever local lines were operating at a loss,
22 "we believe that serious consideration should
23 "be given to progressive reduction of
24 "service, to the point of abandonment, over
25 "a period of time, if it appears necessary."

26 Was this intended to apply to all provinces
27 of Canada or simply to Western Canada?

28 A. Well, it would apply to all the provinces
29 of Canada, because naturally the transportation problem
30 is a national problem.

Q. So that, if you had a line in this state



operating at a loss, as you say in British Columbia,
then it would be subject to the solution which you
propose.

A. Yes.

Q. And similarly, Ontario, Quebec or the
Maritimes?

A. Yes.

Q. And your thinking is, I take it, if the
length of haul has increased for the farmer, then there
is an increase in his cost?

A. Yes.

Q. And he is entitled to some compensation
for that added cost?

A. Certainly there must be some place where
you draw the line beyond which you don't go.

Q. And your last sentence of that paragraph
reads:

"If the individual farmers' market haul is

"thereby increased, it would be necessary

"that he be compensated for the added cost."

I think that is quite clear.

Now, your point is and your feeling is, I take
it, that the farmers at the present time and for the
foreseeable future cannot absorb any more cost in the
movement of their grain to market; is that the view of
your union?

A. That is right.



1
2 Q. And it is a condition of your proposal,
3 I suppose, that the farmers do be compensated for
4 this?

5 A. That they be compensated?

6 Q. In other words, your proposal is
7 qualified by the sentence at the end that if the haul
8 is increased, then, the farmer is to be compensated?

9 A. Yes, either that or provide alternative
10 methods of transportation that would not increase the
11 cost to that particular farmer.

12 Q. Unless the farmer is compensated, then
13 you might want to reconsider your proposal?

14 A. We would have to say that in that area
15 that has been settled and that people have made into
16 communities and homes it is largely a responsibility
17 of the nation to keep those people there.

18 Q. Quite; I agree.

19 A. And for that reason, it is to be con-
20 sidered in that light.

21 Q. Because they built the railways and the
22 settlement followed, and the people who bought the
23 farms and homesteads did so because they believed they
24 were going to have a railway and to continue to have a
25 railway?

26 A. That is correct.

27 Q. And, therefore, they deserve the utmost
28 consideration before tearing up the railway line?

29 A. We are not suggesting that any service
30 be discontinued that cannot be replaced by more adequate
or cheaper services.



1
2 Q. Quite. On this matter of compensation,
3 would you look to the Federal Treasury to compensate
4 for that cost?

5 A. At the moment we don't see any other
6 place where you can turn.

7 Q. It would not be the Wheat Board?

8 A. No, I don't see how you could tie it
9 to the Wheat Board.

10 Q. If you did, it would end up back in the
11 farmers' lap, in any event?

12 A. That is right.

13 Q. What about the other people affected by
14 these abandonments -- say, the local merchants: what
15 consideration are you going to give him, because he
16 may have bought the store in the belief he was going
17 to have a rail service? Do you think any considera-
18 tion should be given to his position?

19 A. Well, again, the local trucking service
20 is more satisfactory to the local merchant than the
21 rail service. We find most of the merchants today
22 are using the trucks and not railroads.

23 Q. But there is some rail movement of
24 freight?

25 A. Yes, undoubtedly.

26 Q. And the people who are using that may
27 want to continue to use it?

28 A. Yes, I think that is correct.

29 Q. And if it adds to their cost to use
30 trucking service, would you see them being compensated --
31 the merchants?



1
2 A. Well, we are only suggesting this if the
3 trucking service can be made in such a way that it does
4 not add to the cost, but rather reduces the cost.

5 Q. But is that likely to happen? You have
6 got competing services -- rail and truck -- and your
7 proposal envisages removing the rail, so there is no
8 competition to the trucker. Do you see them reducing
9 their rates?

10 A. Well, it is true the truckers may compete
11 with each other, but we are not visualizing it on that
12 scope. You have the Board of Transport Commissioners
13 now.

14 Q. They don't touch the local truckers?

15 A. That is true, but we can see no reason
16 why some form of regulatory rates could not be applied,
17 in any event, where trucking becomes a monopoly.

18 Q. You think, if you abandon the line, there
19 is going to be cheaper truck costs?

20 A. We are looking at it from the standpoint
21 of actual efficiency; not so much in terms of competi-
22 tion. We are trying to find a more efficient method of
23 providing transportation.

24 Q. Are you thinking in terms of costs to
25 the local merchant?

26 A. To everybody concerned in the given area.

27 Q. If the local merchants' cost is going to
28 go up, are you going to compensate him?

29 A. He will be compensated in the same manner
30 as the farmer.

31 Q. And moving to some other province, suppose
32 you had a fruit farmer, and, as a result of tearing up



1
2 the line in his community, do you compensate him for
3 the additional cost?

4 A. I would say yes.

5 Q. And the merchants in his general commu-
6 nity?

7 A. We would always, in looking at this thing,
8 have in mind that we are striving to get a lower freight
9 cost; not trying to increase it.

10 Q. I am trying to find out what you have in
11 mind. So, anybody, whether it is Western Canada,
12 British Columbia, Central Canada or the Maritimes, who
13 is getting more costs loaded on his back as a result
14 of these abandonments, would you expect him to be
15 compensated from the Federal Treasury? Is that the
16 principle?

17 A. We are not making any differential as
18 between provinces at all. We are establishing a
19 principle.

20 Q. And what is good for this part of the
21 world will apply equally in other parts of the country?

22 A. That is right.

23 Q. Suppose we have this subsidy, if you
24 call it that, and they go ahead and tear up the line,
25 and then there is a change of government and you lose
26 your subsidy: where does the farmer stand under those
27 circumstances?

28 A. I don't think that we are considering
29 this thing from a subsidy angle. I still maintain
30 that we are only striving to establish a mode of
transportation that will reduce costs. The only reason



1
2 we are doing away with any given rail line in a given
3 area is because the cost of transporting the goods
4 and services has become more costly than by any other
5 means. We are only suggesting that a subsidy be
6 applied in a place where it is having an effect on a
7 certain specific area. We are thinking in terms of
8 providing the transportation on the same basis as
9 before, and, if it cannot be done cheaper than on the
10 original plan, that you would not change. So, assum-
11 ing you have provided the cheaper method, we have
12 accomplished what we originally set out to do.

13 Q. Let us suppose your proposal is imple-
14 mented and moneys are coming out of the Federal
15 Treasury to the farmers of Alberta, and along comes
16 tight money, or a change in the political climate,
17 and it is then the view of the government that this is
18 a support for a certain element of the community, and
19 that it is going to be reduced or eliminated: then,
20 are you not in the position of having neither subsidy
21 nor rail line?

22 A. Actually, you are misconstruing what
23 we had originally ---

24 Q. Well, I am not trying to.

25 A. We are not thinking in terms of subsidy
26 to the extent that you are suggesting here, although
27 what you suggest could very well be true.

28 Q. I am simply taking your words which say,
29 "If the individual farmer's market haul is increased, it
30 would be necessary that he be compensated for the
added cost." That is what I am looking at.



1
2 A. Well, actually, this is not intended;
3 maybe the wording is not absolutely correct, but the
4 intention is that the people within a given area, if
5 they were forced to transport their goods and services
6 beyond the original shipping range, that those facilities
7 be made available to them in some form or another.
8 We are not suggesting they should be subsidized for
9 bringing their product into their normal market channels.
10 This is not what we had in mind at all. It was only
11 an idea that by some form or another people be provided
12 with the transportation facilities. Whether it be by
13 rail or truck or whether it be under regulation of the
14 government, or whether the railroads, themselves,
15 provide the facilities, we were not too much concerned
16 with. Our whole concern was to provide transportation
17 at a cheaper rate if the rate seemed to be too high
18 at the present time.

19 Q. So, when you say the farmer is to be
20 compensated, you really mean that some alternative
21 service is to be provided?

22 A. Actually, that is the purpose. That
23 is the thinking behind it.

24 Q. Who is going to provide this alternate
25 service?

26 A. We are not prepared to say who should
27 provide it.

28 Q. You have not thought of that part of it?

29 A. No. We have no suggestion that either
30 this person or that person or the government or the
railroad should provide it. We feel if the railroad



1
2 is allowed to abandon the service, they may very well
3 substitute it with a trucking service or something of
4 that nature.

5 Q. But you have not looked into that aspect
6 of it?

7 A. No.

8 Q. There has been some evidence given in
9 Winnipeg that if there was an increase of seven miles
10 in the length of haul for the farmer -- and that was
11 later extended to mean seven to fifteen miles -- then
12 the increase in the cost to the farmer was such that
13 this whole organization was going to go out and oppose
14 a certain abandonment application: would you consider
15 that was about the way -- would that be roughly the
16 economics of it?

17 A. I think every case would have to be
18 determined on its own merits. I think there are things
19 you do beyond reason and there are things within reason,
20 and I would suggest our organization would be prepared
21 to view it from a reasonable point of view and I don't
22 see we would have too much difficulty in working out
23 some solution to it.

24 Q. Has your organization passed any reso-
25 lution on this particular subject?

26 A. Not specifically on this point, no.
27 It is just a suggestion by farmers generally.

28 Q. You say there is no resolution?

29 A. No.

30 Q. In the second sentence of the same
paragraph you say, "The grain handling facilities could



1
2 still be used for local storage, and the grain moved to
3 the nearest line by truck ... ", and so on; that is,
4 the existing facilities along the line to be abandoned;
5 is that right?

6 A. That is right.

7 Q. And with the grain put in there and
8 then moved forward to market?

9 A. The only thinking here is that you
10 facilitate providing the best and cheapest method of
11 transportation from the storage facilities? It
12 becomes too costly to move 100 bushels of grain 100
13 miles, for the average farmer. You would use your
14 storage facilities and then provide long distance
15 trucks to move it from there to the nearest rail
16 terminal.

17 Q. That would involve a double handling?

18 A. Yes.

19 Q. And I suppose with both elevators
20 abandoned -- the one at the storage and the one on
21 the delivery line -- and they were both full of grain,
22 there may be the difficulty of moving the grain forward
23 from the storage?

24 A. Yes, it would mean a revision of some
25 of the storage facilities and all the other things,
26 and these are things that would have to be taken into
27 consideration before any move like this was made.

28 Q. You have not gone into that?

29 A. No.
30



CROSS-EXAMINATION BY MR. BRAZIER:

Q. Mr. Nelson, I represent the Province of British Columbia. I take it from what you said to my learned friend, Mr. Hume, that there is a great deal of competition between the trucks and the railways in the Province of Alberta?

A. We have no way of knowing what the actual competition is. All we know is that there are lots of trucks on the road alongside the railroad.

Q. And they are hauling a lot of goods on the trucks?

A. That is true.

Q. Have you been aware that the railways have put into effect a number of competitive tariffs between various points in Alberta?

A. Well, I can't say that I am aware of any competitive rates within Alberta. We know of competitive rates outside. There may be some in Alberta, but I am not aware of them.

Q. You have not run into that at all?

A. No.

Q. As I read your section on page 2 headed, "Local Freight Traffic", it is your impression that on a great many of the branch lines in Alberta there is very little local traffic today?

A. Well, there are several branch lines in Alberta that have very little local traffic. As a matter of fact, some of them probably only move a train once a week to move out loads of grain and very little of anything else.



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2 Q. Would it be correct to say that in
3 large areas of Alberta there is very little local traffic?

4 A. I don't think I would want to say large
5 areas of Alberta. I am not prepared to say just
6 exactly what areas would be affected. This would be
7 a case for a study, and I am not prepared to make any
8 statement on that.

9 Q. But you are aware there are areas?

10 A. That is true, yes.

11 Q. That is somewhat in line with what you
12 mention about the local traffic in British Columbia
13 on page 4 of your brief. You speak of the high cost
14 in the Rocky Mountains where local traffic is likewise
15 very low over large areas: have you any information
16 upon which you base that particular statement which
17 you made?

18 A. We are only referring here to the
19 necessity of maintaining long rail routes in order to
20 get specific commodities into any other area, and
21 certain large distances over the Rocky Mountains.
22 There are quite long distances where very little freight
23 is picked up, or additional ---

24 Q. Additional freight?

25 A. Yes.

26 Q. But there is lots of freight from the
27 Province of Alberta goes over that line?

28 A. That is true, yes.

29 Q. And the building of the railway to the
30 Pacific Coast was of extreme importance to the Province
31 of Alberta, wasn't it?



1
2 A. I would say that at the time the railway
3 was built, it probably was not of any importance parti-
4 cularly at all.

5 Q. That was before the Province of Alberta
6 existed, but, let us take the situation today: that
7 rail connection between the Province of Alberta and the
8 Pacific Coast is a very important part of the rail?

9 A. Very important.

10 Q. And if it did not exist, perhaps the
11 greatest sufferers would be in the Province of Alberta;
12 isn't that so?

13 A. I think probably Alberta is dependent
14 upon that rail line as much as anybody is.

15 Q. In the paragraph on page 4, you are
16 just referring there to the original railway construc-
17 tion costs?

18 A. Yes.

19 Q. And that is the cost of constructing
20 the C.P.R. through the Rocky Mountains in 1885?

21 A. You mean as far as the costs ... ?

22 Q. You are speaking there just of construc-
23 tion?

24 A. Yes.

25 Q. You are not speaking about operating
26 costs?

27 A. Oh, no; that is just construction.

28 Q. And that is many years ago, isn't it?

29 A. True.

30 Q. Don't you think that that original
cost has all been absorbed over the last 75 years?



1
2 A. Well, it would depend on how you
3 would interpret that particular item, I presume. Your
4 overhead costs are naturally involved in your original
5 costs. If they were taken care of, your goods would
6 be on the basis of operational costs, and then it
7 doesn't seem to me that the two have any proper relation-
8 ship.

9 Q. What I am trying to suggest to you is
10 this: that the time has come when the costs of
11 original construction of the railways through the
12 mountains is so far in the past that it no longer
13 affects the picture today.

14 A. Well, I am not prepared to make any
15 statement on that because it is beyond my scope of
16 understanding. We are referring only to an agreement
17 that was made at that time and, as such, we feel
18 that it should be carried out.

19 THE CHAIRMAN: Before we take a short recess,
20 this Commission seems to be running into trouble with
21 busy witnesses, and I suppose that is all to the credit
22 of the people who interest themselves in our work.
23 However, this witness, I understand, must be in Ottawa
24 tomorrow, and Mr. O'Connell, manager of the Lethbridge
25 Board of Trade, must be in another place tomorrow as
26 well, so I am afraid that the rule we made whereby we
27 would adjourn at four o'clock cannot be lived up to.

28 ---A short recess.
29
30



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2 THE CHAIRMAN: Order, please. Very well,
3 Mr. Brazier.

4 CROSS-EXAMINATION BY MR. BRAZIER:

5 Q. Mr. Nelson, you told my friend, Mr.
6 Cooper, that there had been a decrease in wheat acreage
7 in the Province of Alberta for the last few years.
8 You estimate it at about 20 per cent; is that correct?

9 A. Yes, yes.

10 Q. I think you told him that one of the
11 principal substitute crops was rape seed. Is there a
12 considerable production of rape seed in Alberta today?

13 A. I haven't the figures with me of the
14 production of rape seed. There was quite a tremendous
15 increase in rape seed here a few years ago. There has
16 been a gradual decrease, I think, in the last year or
17 two, because of the market situation.

18 Q. Yes?

19 A. But I wouldn't say there is much chance
20 of a very big increase over what is being raised at the
21 present time, until market conditions change.

22 Q. Would it be correct to say that since
23 the war there has been an increase in rape seed produc-
24 tion?

25 A. Yes.

26 Q. And that is sold as an export product
27 from Canada, is it not, Mr. Nelson?

28 A. I haven't the figures available for
29 that export. Some of it is manufactured here in
30 Canada; some of it is exported -- but I haven't
the figures.



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Q. You don't know what the figures are?

3

A. No.

4

Q. You are aware, Mr. Nelson, are you not, that the Crow rate does not apply on rape seed?

5

A. That is right.

6

Q. And in spite of that fact, there was an increase in the production of rape seed; you say?

7

8

A. Well, in spite of that fact, yes; but I think I would have to add that sometimes you do things in a desperation mood, whether it is good or bad. It has, I think, resulted in a net advantage to the people producing rape seed that has not been up to their expectations, simply because the rate is too high.

9

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MR. FRAWLEY: There is an application before the Board now to get the Crow rate applied to rape seed.

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16

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MR. SINCLAIR: There has been many applications before.

18

19

MR. BRAZIER: I had a lot of applications to lower rates on lumber, too.

20

21

22

MR. BRAZIER: Q. But, it is a fact, Mr. Nelson, that this expansion in rape seed production in Alberta took place without the benefit of the Crow rate?

23

24

A. That's right.

25

26

CROSS-EXAMINATION BY MR. MAURO:

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Q. My name is Morrow, Mr. Nelson, and I represent the Province of Manitoba.

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On page 6 of your submission in regard to

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2 competition from minimum rates, I assume that you are
3 not suggesting in that paragraph that minimums should
4 be based on any other mood of transportation. In other
5 words, are you suggesting that truck rates -- there might
6 be a minimum truck rate that reflects the minimum cost
7 for rail transportation, or the minimum cost for water
8 transportation?

9 What do you mean by "a minimum"?

10 "The establishment of basic minimum rates for
11 "all forms of transportation as a means of
12 "preventing unreasonable price wars."

13 A. We are aiming at preventing setting
14 prices that actually do not bear any relation to the
15 actual cost involved.

16 Q. And that "involved" then, in that concept
17 is the idea that any minimum set would reflect the
18 inherent advantages of the mode of transportation; that
19 the railways could set a rate lower than the truck rates
20 simply because rail transportation in certain phases
21 is a more efficient method of transporting goods?

22 A. It would be possible, yes.

23 Q. And that, for example, on short haul
24 commodities perhaps trucks would set a rate lower than
25 rail rates, because it is generally accepted -- and you
26 and I do not have to get into this argument -- it is
27 generally accepted that trucks can, and on a short haul
28 carry goods more efficiently than rail?

29 A. True.

30 Q. So that this is the sort of thing you
attempted to study here?



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A. That's right. That's right.

Q. Now, the latter part of your submission, Mr. Nelson, deals with nationalization, and it had been rather interesting for me to see the development of this concept from the time we heard from the Manitoba Farmers' Union in Manitoba. And, in Manitoba, we heard that the Commission should take a look at nationalizing the C.P.R. And, then, we moved on to Regina, and in Regina the Saskatchewan Farmers' Union said we strongly advocate the nationalization of the C.P.R. And we get to Alberta, and we are not only nationalizing the C.P.R., but all modes of transportation in Canada.

My first big problem is -- is there a farmers' union in British Columbia? And I am very concerned that we are going to nationalize not only all modes of transportation, but counsel as well.

A. There is a farmers' union in British Columbia.

Q. I am looking forward with bated breath to meeting that in British Columbia.

COMMISSIONER ANSCOMB: I would like to suggest you baste your breath until you get to the Vancouver Board of Trade.

MR. MAURO: Q. This matter of nationalization, Mr. Nelson, I assume is based on the desire of the Alberta Farmers' Union for increased efficiency?

A. Correct.

Q. And would you apply that basis to other fields of national endeavour; this governing idea of



1
2 efficiency?

3 And so that you and I understand each other,
4 if it could be argued that farming could be made more
5 efficient, would you advocate that the Federal Govern-
6 ment nationalize the agriculture industry so as to
7 eliminate duplication and create more efficient
8 collective farms?

9 A. Are you asking me ---

10 Q. That is the question.

11 A. Do we advocate nationalizing the farms?
12 Our farmers' union policy does not include nationalizing
13 the farms at the present time.

14 Q. Because, even though, as is suggested,
15 collective farms might result in greater production,
16 here in this country we believe that there are other
17 qualities such as human dignity and enterprise that
18 have to be considered. Isn't that correct?

19 A. We consider them, too.

20 Q. If in fact we could bring about this
21 greater efficiency in our transportation media, Mr.
22 Nelson, without the need of nationalization, I assume
23 that the farmers' union would say, let's take that step
24 first?

25 A. That is correct. We are prepared to
26 accept any medium whatsoever that will provide the
27 facilities necessary to do the job.

28 Q. And if we could accomplish this by
29 setting up a simple sort of National Planning Board in
30 charge of looking into this administrative complex of
transportation, and making recommendations wherein



1
2 private enterprise could still operate for the greater
3 good of the Alberta farmer, the Alberta Farmers'
4 Union would support that?

5 A. The Alberta farmers are the greatest
6 free enterprisers in the world and, as such, would be
7 prepared to look at wherever the efficiency could be
8 improved.

9 Q. It is only with the knowledge that the
10 Alberta farmer is a great free enterpriser that I
11 raised the question.

12 In this portion of your submission, Mr.
13 Nelson, one other matter on the question of the
14 Crow. You have mentioned some of the factors that
15 have intervened between 1897 and the present date,
16 Mr. Nelson, which would lead the casual observer to
17 feel that it is not sufficient just to look at the
18 rate on the movement of grain, because there have been
19 such advances as increased capacity of cars, increased
20 train loads, and with these increased minimum weight
21 factors, the revenue per car between 1897 and 1960
22 has increased to a considerable extent?

23 A. Yes, yes.

24 Q. Because, in 1897 the capacities were
25 about 20 tons, and now they are about 55 tons?

26 A. That's right.

27 Q. On the same rate, the railways today
28 are receiving greater revenue?

29 A. Not only that, but I think also that
30 a freight train in 1897 was probably half the length
of the freight train today, with the additional size of
the cars.



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2 Q. And on the simple value of the commo-
3 dity basis even today, the price of wheat, No. 1
4 Northern at Fort William listed at about \$1.65, is
5 between three and four cents less than what the farmer
6 was receiving in 1925, or for a bushel of No. 1
7 Northern at Fort William?

8 A. That's right.

9 Q. We also have to consider in this context
10 that the carriage of grain generates a tremendous amount
11 of other traffic on which the farmers pay the full
12 increases?

13 A. That's right, and it would also reflect --
14 that amount would be reflected in the returns per
15 bushel for grain, which would be affected by grain
16 rates.

17 Q. And the farmers have not requested that
18 the Crows Nest agreement be changed, as far as the rates
19 are concerned -- have they, to your knowledge?

20 A. They have not.

21 Q. They are satisfied to adhere to the terms
22 of that contract as varied?

23 A. They are.

24 Q. And to your knowledge, did the farmers
25 ask to have those terms varied in 1930 when the price
26 of wheat fell to 30 cents a bushel?

27 A. They did not.

28 Q. And the farmer in 1930 paid what was
29 required of him under that contract?

30 A. That is right.

Q. So I take it the position of the Alberta



1
2 Farmers' Union in 1960 is that this is a binding con-
3 tract and that if the C.P.R. cannot adhere to the
4 obligations of that contract, the C.P.R. maybe needs
5 a subsidy?

6 A. If the C.P.R. is losing money in its
7 operation of its railroads, and it is not possible to
8 get it by any other means, then it must get a subsidy
9 of some kind.

10 Q. One final point on this branch line
11 problem, Mr. Nelson. The Province of Manitoba has
12 attempted to propose some solution to this Commission,
13 and I am sure your opinion would be of assistance,
14 as representing a fairly large body of opinion here
15 in Alberta.

16 We have suggested that the railways apply
17 in the usual manner for an abandonment of branch lines,
18 and that the Board of Transport Commissioners consider
19 the application in the usual form, and if the Board
20 comes to the conclusion that the maintenance of those
21 branch line facilities are in the public interest, that
22 the railway be compensated for the maintenance --
23 the trackage maintenance -- of that branch line out of
24 a fund to be established by the Federal Board, and
25 which we have called, for want of a better name, the
26 Branch Line Trackage Maintenance Fund.

27 And the effect of this would be -- our hope
28 would be -- to lift this burden of branch line
29 deficits off of the back of the freight shipper.
30 Would the Alberta Farmers' Union endorse a policy such
as that?



1
2 A. The Farmers' Union, as such, has not
3 developed a policy regarding this, but are prepared to
4 look at any method that is found to be feasible and
5 in the best interests of everybody concerned.

6 We are not suggesting here, by any means, that
7 any lines be eliminated holus bolus, or without any
8 planning at all, whatsoever. But, what we suggest is
9 that a look be taken at the whole problem and that here
10 might be one place where we could start to make a
11 more efficient approach to the whole situation.

12 Q. But you have to look at it from the
13 dual interest involved -- the interest of the railways,
14 trying to operate an efficient business ---

15 A. That's right.

16 Q. --- and the other, and perhaps over-
17 riding interest of the public having built up their
18 existence around those branch lines, and any solution
19 that this Commission might come up with has to attempt
20 to balance those two?

21 A. That's right, although I would have to
22 say that the balance still has to be slightly in favour
23 of the people in the community. That is, they must
24 have that advantage, because they are in existence
25 there.

26 Q. Yes, but if we can come up with a scheme
27 which will result in minimizing the losses for the
28 railway, while still taking into consideration the
29 need of the community, this is the conclusion to which
30 the Alberta Farmers' Union would like to see this
Commission come?

 A. That's right.



CROSS-EXAMINATION BY MR. DOHERTY:

Q. Mr. Nelson, my name is Gordon Doherty, and I am appearing here on behalf of the Province of Saskatchewan. I think you can appreciate that all farmers in Saskatchewan have similar problems as those outlined by yourself.

In one of the briefs presented in Regina, it was suggested that rather than trucks being in a competitive field with railways, that they might come in the nature of feeders -- and as I understand that, that the goods might perhaps go by rail, and trucks be fed in, rather than competing directly. Have you studied that? What would be your views on that?

A. We haven't studied the whole thing, as such. We are only thinking in terms of a study being made, and coming up with some of the answers and it might very well embody that suggestion.

Q. It might be, as you see it, a possible solution?

A. Yes.

Q. May we just direct your attention for the moment to the comment you made on the movement of livestock, Mr. Nelson.

I wonder if you would perhaps indicate what in your opinion are the main reasons or the factors which now result in livestock moving by truck? And I am thinking of such things as perhaps the rate and the service. Have you anything else, perhaps, to add to that?

A. Well, I think it is mainly the type of service that you can provide with trucks that you cannot



1
2 provide by rail. That certainly has created it, in the
3 first place. As far as rate is concerned, yes, and,
4 for the moment again, it is entirely a question of cost.
5 It is the mobility of the truck that has done it.
6 It is possible to move in to any given area with a
7 truck that is large enough to transport quite an
8 economical amount of livestock right directly into the
9 market. And these are the things that I think have
10 affected the transportation by truck more than anything
11 else.

11 Q. Well, there may be some difference in
12 rate; perhaps a reduction in the railway tariff would
13 not, I suggest, have a tendency to move that traffic
14 back to the railways?

15 A. I would doubt that, yes.

16 Q. It is the service that you have in mind,
17 and the convenience?

18 A. Yes.

19 Q. May I ask, in your experience, Mr.
20 Nelson, or in the experience of any members of your
21 union, have you found difficulty -- and I am thinking
22 of convenience and things of that nature -- in trying
23 to ship by rail? Are there personal factors or
24 difficulty of finding tariffs or with movement, that
25 make it difficult to ship by rail?

26 A. Well, I don't think that there is any
27 inherent difficulties in shipping by rail.

28 Again, I still think that it is just the
29 nature of the truck, as such, having been made -- this
30 thing has become a part of the livestock transporta-
tion because it has been able to go to the farmer's



1
2 place and pick up his livestock and carry it directly to
3 the market without unloading and re-loading.

4 There is a simplification there that I think
5 has brought about the change, rather than any difficulties
6 inherent.

7 There are certain branch lines in Alberta that
8 are still shipping a considerable number of hogs, for
9 instance, by rail. I don't think that there is any
10 difficulty involved in shipping those particular hogs
11 by truck, if that rail line was not there. They are
12 using whatever facilities are most suitable to the
13 people in any given area at the present time. There
14 doesn't seem to be any difficulty. It is just a
15 question of which is the handiest, to put it that way.

16 Q. It is a balance of convenience in shipping
17 by truck?

18 A. Yes, that's right.

19 Q. May I now direct your attention to
20 paragraph 6 of your submission, where you are speaking
21 of the matter of added cost to the farmer in moving his
22 grain to an alternative position. You also mention
23 that if some of those elevators might remain and be
24 used for storage, the added cost in that case would
25 be the cost of moving it from the storage on the
26 abandoned line to the new rail line; would it?

27 A. Yes. I wouldn't consider that as added
28 cost; I would consider that as replacing the original
29 cost which you had when you were moving in by rail,
30 that the cost would be transferred to the truck instead
of by rail. This is the only thing that we had in mind.



1
2 Q. As compared to that, if you were moving
3 the grain at a longer distance, from the farm to the
4 grain elevator, that would be an added cost?

5 A. That would be an added cost to the
6 individual farmer.

7 Q. You have the added cost of labour, and
8 the farmer's time in moving it back and forth?

9 A. Yes.

10 Q. There is another feature which would
11 appear to be a cost to the farmer -- a loss arising to
12 the farmer in abandonment of a rail line -- and that might
13 be the question of farm devaluation. It is my under-
14 standing if the rail were moved, it would put the farm
15 in the position of not having the convenience to rail?

16 A. I think this would just be an expression
17 of opinion, and I am not prepared to make that expression
18 now, because there are other factors involved. It
19 might lower the valuation, it is true.

20 Q. I quite appreciate that. Thank you.

21 As I understand your reply to Mr. Dickson, you
22 suggested that the railways had an obligation, having
23 put in a railway, and people settled there -- they had
24 an obligation to provide a service. If, for instance,
25 the railways were able to establish that they had a loss
26 of, we will say, \$5,000 on a particular branch line,
27 it would appear to me that it would be of some advantage
28 to them to minimize that line, even if they didn't
29 wipe it out entirely. I am wondering if you had given
30 any thought to the possibilities if the railway were
able to do that -- that is, reduce their cost to that
factor, that they might do that by perhaps paying a por-
tion of the farmer's additional cost in taking that grain
to the elevators?



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2 That is what I had in mind if they were to
3 abandon the line and provide for a longer truck haul,
4 but that additional cost to the farmer should be,
5 perhaps, a charge against the railways, and at the
6 same time giving the railway an overall reduction and
7 reducing their total cost.

8 A. Well, I think you have to accept the
9 fact that there is a basic responsibility, that while
10 I wouldn't want to pinpoint the railroads themselves
11 as being absolutely responsible for the situation, the
12 nation as a whole is responsible, and between the
13 railroads and the responsibility to the nation and to
14 the government, you would have to work out some solution
15 and it might be done on that basis.

16 We are not being dogmatic about how it is done;
17 our only purpose is to try and find some solution to
18 moving it at a more equitable rate, and if it can be
19 done that way, we would be quite happy to see it done
20 on that basis, but it would have to be worked out to
21 the advantage, particularly, of the people concerned.

22 Now, on page 4, Mr. Nelson, and this is the
23 last sentence on your page 4, you are speaking of the
24 agreement, and you say,

25 "It can only be rewritten by mutual
26 agreement, and this means a complete
27 re-evaluation of the very clause."

28 Now, I am not just too clear on what you have
29 in mind there. Have you in mind a further agreement
30 between the Government of Canada and the C.P.R., or do
31 you have in mind a tri-party agreement between the



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2 Canadian Pacific, the Canadian National and the
3 Government; is that the type of thing you are thinking
4 of?

5 A. No, the agreement would have to be between
6 the Canadian Pacific and the Government; nobody else
7 has any part of the original agreement, and they would
8 naturally have to be the parties to make any new agree-
9 ment, if such were to be the case.

10 Q. I am thinking now, perhaps, of the
11 application of the Crow rate, or some level of that
12 type, in which case I would suggest it would apply also
13 to the Canadian National Railways. Do you think that
14 they should be involved in such an agreement?

15 A. Well, I don't know whether I am prepared
16 to go into that, since the application of the Canadian
17 National Railways would naturally follow whatever agree-
18 ment was made with the Canadian Pacific Railways,
19 because in essence the Canadian National Railways, being
20 a government-owned and controlled railway, I am not
21 sure just exactly how it would be made.

22 Q. The Canadian National Railway would,
23 perhaps, have to take its rates to whatever rates were
24 set up?

25 A. Yes.

26 Q. Just one other thing on that same page;
27 you say there,

28 "Coal, the other bulk commodity produced in

29 "the West, is no longer an important product."

30 Now, I think this has already been dealt with.

However, when the coal people were presenting their



1
2 brief in Regina, they indicated some of the factors
3 which you mention, the effect of oil and gas reduced
4 their bulk, but that they are hopeful of regaining it.
5 If that were the case, this situation would not apply.

6 A. It would be obsolete, I would say, if
7 the coal industry is able to develop a new market; of
8 course, this would be different.

9 Q. I understand they anticipate a new market.
10 Now, one final question. On the matter of agreed
11 charges, and I ask this only for the purpose of infor-
12 mation, I am not too clear what your position is with
13 respect to agreed charges. Are you suggesting that
14 they should not be continued? I am speaking now to
15 paragraph 17 of your brief and just in, perhaps, the
16 last sentence where you say,

17 "We believe that the practice of setting of
18 "agreed charges is one in which one form of
19 "transportation could be matched against
20 "another until no profit could result to
21 "either -- an unbusinesslike arrangement which
22 "could lead only to a worsening of the rail-
23 "ways' financial position."

24 Now, I am not too sure what your position is there;
25 could you inform the Commission?

26 A. We feel that on this matter an approach
27 has been made to these things to solve the basic
28 problem, which is that we apparently haven't been able to
29 find a realistic solution on setting rates that will give
30 proper compensation for the cost of operation, assuming
that the operation is as economically produced as possible.



Now, if we allow ourselves to get into a position where undue competition or unfair competition by means of agreed charges should develop to such an extent that you have certain areas of our transportation system operating at a net loss and having to charge that loss to some other area where competition is not feasible or not possible, then this is not a realistic approach to the whole picture, and we don't feel that agreed charges should be used in such a way as to take away from the railroads, or any mode of transportation, a proper relation to cost and to the other things affecting it.

CROSS-EXAMINATION BY MR. MACDOUGALL:

Q. My name is Macdougall and I appear for the Canadian National Railway.

Now, just on the point that you were speaking to Mr. Doherty about after the agreed charges, in paragraph 17, do I understand that your concern there is whether or not the railroads will make agreed charges which might be too low in returning net return to the railway companies?

A. I say they will in turn have to come at it in some other area.

Q. As a business man, if you were endeavouring to sell a product and you could arrange with someone who wished to buy that product for an agreement whereby you agreed to provide him with certain quantities of service or units of your product, and he in turn were to agree to take that much for a considerable period of time, would you think that if you



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2 were both in agreement after the terms of that arrange-
3 ment that it would be a pretty good business arrange-
4 ment to come to, rather than just relying on the odd
5 person to drop in and perhaps buy something from you
6 casually.

7 A. It happens to be the way that most
8 business is operated. I can't agree that it is
9 entirely the best approach to the whole problem.

10 I am suggesting that basically it is a prob-
11 lem of our transportation at the moment, and I would
12 even go so far as to suggest that even the Crow's
13 Nest rates apply in this particular case, because you
14 can say that no one factor should be used to offset
15 the total overhead cost, and the whole problem to
16 my way of thinking evolves around that whole situation.

17 Q. The point I am particularly interested in
18 is that it appears to me that the agreed charge basi-
19 cally is a pretty businesslike way to do this, wouldn't
20 you agree with that?

21 A. I am not sure that -- I would have to
22 have certain qualifications. I think that it is
23 businesslike, but it can become unbusinesslike if it
24 is carried to such an extent that it becomes a total
25 drain on the overall.

26 Q. And if you were the other man and you
27 saw that your agreement was becoming a drain so that
28 you were having to make up too much of your overhead
29 from other elements of your business, then probably
30 you would change this contract if you could, or get
rid of it or do something with it, but the endeavour
would be to make that contract bear its own weight,



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2 and as long as it did that you would think that it is
3 a good business arrangement.

4 MR. FRAWLEY: That is a big "if" that my
5 friend is cross-examining on. I think that he must
6 put to the witness all of the elements of the agreed
7 charge technique, one of which is that the contract is
8 made over a year, during which time there can be no
9 increase in the rate.

10 MR. MACDOUGALL: Q. I am not suggesting whether the rates
11 are at a proper level or not, I am just talking about
12 the technique about making an agreement and buying a
13 certain commodity, and my question is whether or not
14 you consider that an arrangement whereby you can sell
15 a certain volume of your commodity and arrange to sell
16 it regularly and at a level of rates which is satis-
17 factory to both parties, and it doesn't impose any
18 undue burden on other parts of your business, isn't
19 it a good business arrangement?

20 A. If all of the things you say were a
21 part of it, then yes. We are not absolutely sure
22 that that always would apply.

23 Q. And then again, sir, as to what I was
24 referring to before when Mr. Frawley spoke, would you
25 agree that it would be a good type of business arrange-
26 ment to make, and if you saw that conditions or cir-
27 cumstances changed, then you would endeavour to change
28 your agreements between the parties as you saw these
29 circumstances appear, isn't that right?

30 A. It might be a good business arrangement for
me if I was in that particular business, but it doesn't



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2 necessarily follow that it would be good business for
3 anybody else concerned.

4 Q. Just thinking about you and the man you
5 may make a deal with, and you are both satisfied with
6 it, would you think that it was a good way to do
7 business? I asked that question because I did under-
8 stand you to say you thought a businesslike approach
9 was needed to more of these problems, and I put that
10 to you, that that is a businesslike approach to
11 transportation.

12 A. We agree it could be a businesslike
13 approach; we are not always satisfied that it is.
14 There are other factors that enter into it.

15 Q. And you wish to put to the Commission
16 that they should be wary to ensure these agreed
17 charges bear their fair share of overhead and don't
18 become a threat to any other thing.

19 On the same page you talk about the trucking
20 industry having "in and out operators" who frequently
21 cut rates. What do you call an in and out operator?

22 A. Well, of course, in all industries you
23 have people who acquire a certain amount of capital
24 and want to invest it in a particular type of enter-
25 prise, and the trucking business is no different
26 than any other business, we have people that want to
27 go into the trucking business and they probably don't
28 have sufficient capital to set up an operation that
29 is able to in all instances compete with what is
30 already established, and they go into it possibly
with all good intentions, but find themselves in



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2 difficulties and have to, because of competition, get
3 out of the field, and you have a certain amount of
4 that happening in the trucking business at all times.
5 I don't think it is any more than it was a few years
6 ago.

7 Q. I see. Now, sir, when you speak about
8 farm adjustments on page 5, you made reference to
9 new crops which have been widely introduced, and you
10 told us of rape seed and sunflower seed as being two
11 of those crops.

12 Would you tell me whether you consider the
13 diversification which has taken place in farming in
14 Western Canada and, say, Alberta in recent years has
15 made the farmer less dependent on his grain crop than
16 he was a number of years ago.

17 A. I can never agree that farmers in
18 Alberta can ever at any time become not dependent
19 on grain crops. Grain crops are too important an
20 issue in Alberta.

21 Q. And diversification hasn't gone to the
22 point where some farmers are not really entirely
23 dependent on the grain crops?

24 A. We can say some farmers, certainly;
25 not the majority of the farmers.

26 Q. The majority would still be dependent,
27 but the diversification, I think you say, that your wheat
28 acreage has changed as much as 20 per cent since
29 1950, and I would think from that that you mean it
30 has gone down possibly 20 per cent from 1950, and that
acreage has been put into other forms of production.

A. Some of it has been put into grass,



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2 of course, for livestock purposes, and some of it for
3 some other crops.

4 Q. On that same page 5 in the middle of
5 the paragraph, you make the following statements,

6 "To be specific, if the wages of railway
7 "workers are to be increased, the necessary
8 "money must not come from increased grain
9 "rates",

10 and are you aware, Mr. Nelson, that in the proposal
11 as put before the Commission by the railway in
12 respect of the grain rates, that there is no sugges-
13 tion that the farmer would pay increased rates, but
14 rather, that some form of national payment would be
15 made to the railway companies in addition to what the
16 farmer is paying at the present rate, to give them
17 what they consider adequate return.

18 A. We are aware that a proposal of that
19 kind has been made. What we are concerned about is
20 that the proposal not be made or be tied to grain
21 rates or farmers particularly and specifically, but
22 that if such be the case, or that the increased
23 costs be a factor, that that increased cost should be
24 the problem of the national railroad picture and not just
25 of the farmers.

26 Q. I see. You are aware, at least, that
27 we are not proposing the farmer pay increased grain
28 rates.

29 A. Yes.

30 Q. Now, in respect of passenger traffic,
Mr. Nelson; you speak of it on the first page of your



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2 brief where you talk about trains often running with
3 empty coaches, and quite a bit has been said about that,
4 and I suggest to you that that is a reasonable way or
5 a businesslike way to approach the passenger problem;
6 that in the areas where trains are now running with
7 empty coaches and where it indicates that the public
8 has preference for another form of transportation, like
9 automobiles or buses or some other means of going from
10 A to B, and in the years where the public are not
11 patronizing the rail passenger service, that if it can
12 be shown to some body such as the Board of Transport
13 Commissioners that the railway is not making its
14 variable cost of operation and there is some other
15 suitable form of transport in the area to which the
16 public is patronizing, that the railway maybe should
17 in those circumstances face the facts and should get
18 out of the rail passenger business; wouldn't you
19 agree with that as being reasonable?

20 A. We certainly feel that in most cases
21 where it is shown that it is impracticable to continue
22 passenger runs, that certainly a good look should be
23 taken at it. We are not prepared to point out any
24 particular area or any particular place, but certainly if in-
25 vestigations showed that and a proper period of time is al-
26 lowed in which you are given time to adjust to it,
27 certainly that is one of the factors we would suggest
28 might be one that could be used.

29 Q. And I suggest to you, sir, that possibly
30 one of the great helps to everybody would be if we
had some clear definition as to what the responsibilities



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2 of the railroad were in circumstances of that kind,
3 some clear indication which the public could see of
4 what they should expect from the railway with respect
5 to the provision of passenger service, wouldn't that
6 be helpful to all parties concerned?

7 A. Yes.

8 Q. And if we have that, wouldn't you think
9 it would be fair and reasonable to everybody con-
10 cerned if all parties knew that when the time came
11 that the passenger service, the passenger train ser-
12 vice, had reached the point where it was not clearly
13 demonstrable to some independent body such as the
14 Board of Transport Commissioners, or this Commission,
15 that it couldn't pay its cost of operation and an
16 alternate service were available, there should be no
17 further question if that were the situation that the
18 railroad should get out of the passenger business and
19 leave it to those agencies that the public had chosen
20 in preference to the railroad; don't you think that
21 is what should be done?

22 A. It would have to be shown -- we agree
23 in principle to that, but at the same time I wouldn't
24 want to leave any area in the position of having been
25 abandoned without adequate provision.

26 Q. I quite agree. If it can be shown there
27 was no adequate alternate service to serve the
28 public, then there comes this element of public findings
29 or a natural policy, and in that case your proposal
30 quite clearly is that some service should be retained,
a proper service should be retained for the public,



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2 and if necessary and if it cannot be supported
3 locally, it should be supported by some public
4 treasury; that is your position?

5 A. Yes.

6 Q. I think that basically we agree on
7 that; some place where there is some alternate form of
8 transportation, that the railway should get out of
9 that business.

10 A. I agree that is a businesslike thing,
11 but I am actually concerned with the people in the area.

12 Q. Concerned with the safeguard to the
13 people?

14 A. Yes.

15 Q. Now, just think about the branch lines
16 for a moment in that connection. You mentioned in
17 discussing with Mr. Dickson and some of the other
18 counsel here, in connection with the position of the
19 farmer and the merchant and people of that kind who
20 are affected by the operation of freight service, and
21 basically the operation of the branch lines, and I
22 was interested in the point in your brief on page 2
23 where you speak of the grain handling facilities that
24 might remain in a situation if a line has been
25 abandoned, and I understand that your thought there
26 was that they should continue to be used as grain
27 handling facilities until they need to be replaced,
28 but they could be used for storage, and then there
29 would be an additional haul involved in moving that
30 grain over to an existing rail line, your remaining
rail line, and then shipping from there on. Now, what



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2 would be the normal length of haul, or what would be
3 the average length of haul for a farmer from his farm
4 to his nearest rail head where he delivers his grain
5 to the country elevator, how far does he haul to it?

6 A. Of course, we have such a variety of
7 hauls that it is a little difficult if you just say any
8 specific distances. I would say that in the central
9 part of the Province of Alberta today that probably the
10 maximum haul would be in the neighbourhood of 20 to 25
11 miles. There are areas, of course, where you have
12 maximum hauls up to 100 miles in the Athabaska District,
13 and a few places like that. I am not prepared to give
14 any specific figure, but I would say on the whole that
15 you can say that it would run anywhere from half a mile
16 or something like that up to 25, or between 25 and 30
17 miles.
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2 Q. I don't know anything about this, but
3 would it be reasonable to say that in many cases the
4 haul is something in the nature of 10 to 15 miles?

5 A. It probably would not be too far off in
6 the central part; but, I have no figures to verify that.

7 Q. So, the situation that might be created
8 by the abandonment would be that the man who is hauling
9 anywhere from half a mile to twenty miles might have
10 to haul it another ten to fifteen -- he might have to
11 double it?

12 A. There are a lot of spare lines that I
13 don't know the circumstances of, but I can't exactly
14 visualize this happening until you abandon your grain
15 handling facilities in any given area. Then you might
16 necessitate moving longer distances, but this would be
17 a problem between the farmer and the grain handling
18 people.

19 Q. I suppose the ability of the farmer to
20 move his grain is quite a proposition compared with
21 what it was at the beginning of the century when they
22 used horses or animals for that purpose?

23 A. I know from experience that is so.

24 Q. What would the ordinary farmer move his
25 grain in today -- a five-ton truck?

26 A. I don't think that the predominance of
27 farmers would have five-ton trucks. I would say
28 relatively a smaller truck than that.

29 Q. Two-ton?

30 A. Yes, two or ---

Q. Two or three. Talking about the



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2 abandonment of line, presuming some similar circum-
3 stances I put to you in connection with the passenger
4 services where the rail line had been put in by the
5 railway initially and people had built up a long line
6 and used it, but for one reason or another the ability
7 of the line to pay its way had gone, and it could be
8 clearly demonstrated it was a losing proposition,
9 and what was involved from the farmers' point of view
10 is this extra haulage we have been speaking of, either
11 from the country elevators to a new rail head or directly
12 to another rail head, do you think that extra incon-
13 venience and some cost to the farmer would be sufficient
14 to deny the railway company the right to make economies
15 by the elimination of that branch line, in the condi-
16 tions we are talking about today where we have a
17 critical need for economies in the rail services and
18 they can be clearly demonstrated -- that substantial
19 economies could be made? Do you not think that is a
20 reasonable kind of co-operation to expect from the
21 farmers of the area, to agree that line be abandoned?

22 A. Again it is a question of national
23 responsibility, and, as such, it would be the res-
24 sponsibility of the nation to determine what is in the
25 best interests of all concerned, always having in mind
26 relative conditions as between people and as between
27 farmers. The nation might indicate that it is
28 necessary to maintain a certain type of service, and
29 under those circumstances, that might necessitate a
30 subsidy to that particular area. All things con-
sidered, yes, I think that all people should be prepared



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2 to co-operate to do the things that are necessary,
3 but no hardship should be placed on any one group of
4 people.

5 Q. There should not be too heavy a burden
6 on any group of people?

7 A. Yes.

8 Q. On page 1 you say,

9 "The necessary solutions, we suggest, can be
10 found and implemented only by a sincere and
11 co-operative effort on the part of all
12 segments of the Canadian economy."

13 It would appear to me that if a railway company had been
14 deserted by its patrons to the point it was not able to
15 pay its way and the line was not needed for railway
16 purposes, and that there were other lines in the area
17 that could serve the community with a little extra
18 cost on the part of the farmers, that that would be an
19 area where co-operation between the parties would
20 indicate that the railroads should be allowed to make
21 the economies by getting rid of that line?

22 A. Yes, I would qualify it to this extent:
23 I don't think I would agree it necessarily follows
24 that the farmers themselves had deserted the rail line
25 to the point of its becoming uneconomic. I would
26 rather suggest it is a case of the railways themselves
27 not having properly assessed the situation before
28 the line was built, and in many cases uneconomic
29 railways are in existence.

30 Q. I was thinking in terms of the incidence
of truck competition today which has erroded a lot of



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2 traffic from the railways which formerly moved -- but,
3 no doubt, there are a lot of branch lines which are
4 due to overbuilding?

5 A. Each case would have to be taken on its
6 own merits.

7 Q. In this connection, perhaps you may be
8 interested in the fact that, as has already been put on
9 the record, Canadian National has before the Transport
10 Board eight applications for abandonment of lines in
11 areas where we consider the lines are not able to stand
12 on their own feet, and I suppose also your organization
13 is aware of the fact that strenuous efforts have been
14 made by Canadian National in Western Canada -- Alberta,
15 in particular, to eliminate unnecessary stations and
16 unnecessary costly parts of operation which are no longer
17 needed by the public?

18 A. Yes, we are aware of that.

19 Q. Would you agree that in these matters of
20 economies and more efficient operation that it is proper
21 that the railroads should press forward with their
22 plans to provide integrated highway and rail services
23 and integrated rail and piggy-back services in areas
24 where they can make economies and give efficient service
25 by doing that?

26 A. It would have to depend entirely on the
27 studies of the whole situation, and that the proper
28 approach be made to it depending on areas, and all of the
29 things concerning it.

30 Q. But if these new co-ordinated methods
could produce substantial economies and provide better



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2 service, you agree with them?

3 A. With the proper safeguards attached to
4 it so that nobody stands any chance of being put in a
5 position where, if a monopoly arises, they are not
6 exploited in any way.

7 Q. Yes, I agree with that, of course.

8 CROSS-EXAMINATION BY MR. SINCLAIR:

9 Q. Mr. Nelson, I think that you know that
10 my name is Ian Sinclair and I represent Canadian
11 Pacific. At paragraph 13 of your brief, which is on
12 page 5, you refer to the adjustments which have been
13 necessary by the farmers to meet technicological
14 changes in farming, and you say, "This ability to change
15 to adapt to the new conditions is a continuing test for
16 any individual or industry". My question to you,
17 arising from that, is this: It would be the position
18 of your organization that restrictions should not be
19 imposed on any individual or industry which would
20 hamper that industry changing its service in the light
21 of changing conditions; would that be correct?

22 A. Again, I would have to qualify it in
23 this way, that certain industries have the responsibility
24 to a lot of people, and, as such, there must be certain
25 restrictions put on any changes so that it does not in
26 any way hurt people concerned, or anything of that
27 nature, because of the nature of that particular industry.

28 Q. Mr. Nelson, you don't mean "in any way
29 hurt". There is a little bit of hurt in all change,
30 isn't there?

A. Always, yes; I agree with that.



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2 Q. And some hurt is to be expected as
3 industry or individuals change to changing circumstances,
4 and that is what we would expect, and that is what
5 should apply to everyone as they meet change; isn't
6 that so?

7 A. I think farmers have adapted to change
8 and have accepted more hurt, probably, as a group of
9 people than possibly any other group.

10 Q. My point, though, is that there should
11 not be different rules for others than farmers in
12 meeting changes, should there?

13 A. No, I don't agree -- I don't say there
14 should be different rules, but I still maintain that
15 there are certain either industries or facilities to
16 work with people that of necessity must be -- or,
17 must be different in some ways, probably, than an
18 individual would be. I think there has to be a
19 difference.

20 Q. If conditions change, then, those
21 changed conditions are a factor that should be taken
22 into consideration and should result in changes brought
23 about by those conditions where that is possible to
24 be done?

25 A. I think that is right, yes.

26 Q. What the Farmers' Union is interested
27 in, you would agree, would you, is efficiency, and
28 you are interested in the fact that there should not
29 be duplication of services?

30 A. That is right.

31 Q. ... which would seem to be indicated in
32 certain areas; is that right?



1
2 A. That is right.

3 Q. You would agree, would you, Mr. Nelson,
4 that what might appear to be duplications requires
5 close study and indeed requires the application of
6 highly experienced judgment?

7 A. That is correct.

8 Q. And all things are not always as they
9 appear to be?

10 A. No, I can agree with that, although I
11 would say that when you ride on either the C.P.R. or
12 the C.N.R. in some areas east of Winnipeg and see the
13 tracks alongside, it does make a person wonder whether
14 there is inefficiency in application there or not;
15 but, you are quite right, it would take study to know
16 whether it is true or not.

17 Q. And the application of experienced
18 judgment?

19 A. Correct.

20 Q. And it is not your suggestion, is it,
21 that, for instance, Canadian Pacific Railway is lacking
22 in experienced managerial judgment?

23 A. I do not propose to suggest anything
24 about Canadian Pacific operations at all from within,
25 because I have no knowledge of it. I presume that
26 they hire and use the most experienced people it is
27 possible to get.

28 Q. Mr. Nelson, approaching this matter of
29 branch lines -- their necessities -- one of the
30 important things is to look at the type of traffic
31 that is moving over them and whether that traffic



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2 that is moving over the branch lines is a traffic
3 that is of national interest, such as grain: do
4 you agree with that?

5 A. Well, again, I would have to say that
6 it is true that you would deal with a national traffic
7 problem, but, on the other hand, I would have to say
8 that any people living within any given area is a
9 national problem, and, as such, anything that has to do
10 with their particular welfare becomes a national problem.

11 Q. Well, if the commodity that is moving
12 over that branch line is a national commodity, as is
13 grain moving to export positions in Western Canada --
14 and I think there is pretty near universal agreement
15 on that -- would you agree that is somewhat different
16 from a person who happens to live in a place and who
17 might use the passenger train occasionally when his
18 car was broken down, or when he felt like going down
19 to see his uncle, or use it as a standby service?
20 They are very different?

21 A. Oh, yes.

22 Q. So, therefore, one can well look at
23 passenger service in quite a different way than you
24 can look at the movement of a national commodity such
25 as grain?

26 A. I think that is right, yes.

27 Q. A number of my friends have asked you
28 questions about nationalization, and I have been known
29 to ask people questions about that. You see, Mr.
30 Nelson, I work for the Canadian Pacific and I don't
want to be liquidated, and you can understand that.



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2 I could put a few questions to you, and I am quite sure
3 that you would agree with some and disagree with
4 others, but I do say this to you, that I heartily
5 disagree on behalf of my client, Canadian Pacific,
6 with your proposal, and I do say to you one other
7 thing, and this is the only question I am going to
8 ask you about: where it has been tried, do you know
9 of anyplace it was successful?

10 A. I think we have a pretty fair sample of
11 that right here in Canada.

12 Q. Where is that?

13 A. Where the Canadian Government took over
14 a number of unsuccessful private railroad companies
15 and forged them into one unit and have done a pretty
16 fair job of operating that particular transportation.

17 Q. That is your example?

18 A. That is one example, yes.

19 Q. Thank you very, very much. Do you
20 know how much income tax was paid by Canadian
21 National last year?

22 A. I am not particularly interested in the
23 amount of income tax anybody pays.

24 Q. Not yourself, either?

25 A. All of these have a bearing on actual
26 costs involved. It doesn't matter to me whether I
27 pay income tax, particularly, as a person. The
28 costs of operating any particular commodity, whether
29 it be a private railway or a government or anything
30 else, is determined by the actual cost involved, and
31 we are only concerned in making that cost as low as
32 possible.



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2 Q. Now, one other example that must have
3 come to your attention, is the situation in Great
4 Britain where your plan had been tried. Part of it
5 was abandoned, and very, very substantial monetary
6 losses are being paid by the people of Great Britain:
7 do you know about the nationalized railways in Great
8 Britain?

9 A. I can't say that I am 100 per cent
10 familiar with the problem in Great Britain. I am
11 not prepared to accept the fact that just because
12 you have a failure that this necessarily means that
13 the principle is wrong. I think there is such a
14 thing as using a principle and building an effective
15 business or anything else around it.

16 Q. But you have no other examples you
17 would like to give to the Commission?

18 A. No, I am not quoting any examples.
19 Principle is the only thing we are concerned with at
20 the moment.

21 MR. SINCLAIR: Thank you.

22 BY MR. BALCH:

23 Q. You represent the Farmers' Union of
24 Alberta?

25 A. Yes.

26 Q. I am looking at paragraph 13 of your
27 submission and you say,

28 "Since 1940, the productivity of farm labour
29 has increased by 51 per cent, while the
30 investment in farm machinery has more than
doubled."



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2 That 51 per cent increase would be as a result of
3 improved farm machinery, wouldn't it?

4 A. Mechanization.

5 Q. We will go to the railways ---

6 A. I think I should add here that in addi-
7 tion to mechanization, of course, other technicological
8 changes have come about such as improved varieties and
9 things of that nature; but, largely, mechanization
is responsible.

10 Q. Now, in paragraph 14 you say,

11 " ... has the productivity of railway workers,
12 at all levels, increased significantly, as it
13 has in agriculture?"

14 Would it surprise you to know that freight trains --
15 and I think you have answered that question on page 3
16 when you say,

17 "Furthermore, a trainload of grain in 1960 is
18 many times greater than in 1897."

19 In other words, the productivity of the railroad worker
has definitely increased by the length of trains?

20 A. Yes.

21 Q. Would you know at the present time that
22 freight trains have increased something between 20 and
23 30 per cent in tonnage in the actual pulling of a train?
24 You know, of course, it used to be by five men and
25 that has been reduced on the Canadian Pacific and
Canadian National by one man; you know that?

26 A. Yes.

27 Q. There is a railroad in Canada at the
28 present time where the train has three men on it and
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2 it pulls on an average of 15,000 tons of iron ore.
3 I think you must agree that the productivity of the
4 railway man has definitely increased when you hear those
5 figures?

6 A. We are not in any way disputing the
7 possibility that this may be so. We are only quoting
8 questions here that have been brought to our attention
9 by newspapers and otherwise, and, while we know what the
10 increase in productivity of the farmer is, we are
11 wondering whether others have been following in line,
12 and we are only suggesting it as a question and not as
13 a statement.

14 Q. Then, we come to the efficiency of the
15 railways through the advent of the technicological
16 changes, and these figures I have here are: the
17 Canadian National Railroad in 1952 had 127,930 employees;
18 I have the figures for 1958, which are 110,559, a loss
19 of 17,371 employees on the Canadian National. The
20 Canadian Pacific in 1952 had 83,842, and in 1958, it
21 had 70,817, a loss of 13,031, a total loss on both
22 railroads of employees of 30,402. Wouldn't you think
23 from that that the railways are definitely putting in
24 efficiencies? You do say in one place here that
25 the many thousands of farm families who have become
26 the victims of these technicological changes have had
27 to make their own readjustments without any outside
28 help, and would you say the railroad man had the same
29 problem to face?

30 A. I presume that he had. I am not
personally acquainted with that particular situation



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2 with the railroad men, but this is definitely something
3 that is affecting all phases of our economy. We
4 recognize that. We, of course, are concerned with
5 the farmers. As such, we are familiar with their
6 problems and state them as we see them.

7 Q. When you speak of abandonment of lines,
8 it may be that you are looking after the farmer too,
9 as you probably are; but, you must consider when you
10 abandon a line, any kind of a line, there are a certain
11 amount of railway men who lose their jobs?

12 A. Yes.

13 Q. You have section men and telegraphers,
14 and so on?

15 A. Yes.

16 Q. So, I hope that you think of those things
17 when you ask for the various things you have asked for.

18 A. We have considered them very seriously,
19 and it doesn't give us any great deal of pleasure to
20 recommend anything that takes a job away from any man,
21 because we recognize the problems fully. We come into
22 contact with it every day in our operations. Automation
23 is, in itself, a problem that I feel this nation and
24 other nations have got to deal with and deal with in a
25 realistic manner, but we have to go beyond some of these
26 problems.

27 Q. After what I have said, would you not
28 say that the productivity of railway workers has
29 increased?

30 A. Well, I can't deny that at all. The
evidence is certainly there. I don't know whether



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2 the percentage is the same or anything like that. You
3 would have to relate the figures.

4 Q. Did you consider there was a test train
5 of the Canadian Pacific that came from Fort William to
6 Winnipeg and pulled over 200 cars of grain, and a little
7 later on that is probably going to be four men on that
8 train doing that, whereas, years ago, with 25 cars,
9 3,000 tons was the maximum load on a train. Just
10 imagine the productivity that has been increased.

11 A. That is right.

12 Q. Thank you very much.

13 A. We don't deny that at all.

14 BY MR. ANSCOMB:

15 Q. I want to ask you one question and flirt
16 around a little with the next one. My first one is
17 because of your answer to Mr. Mauro in which he put to
18 you fairly clearly, and you agreed with him, that the
19 cost of moving grain had been reduced over the years
20 because of technicological improvements and all the
21 rest of it -- the number of cars that now could be
22 moved by the same effort. Wouldn't the same thing
23 apply to the farmers in the cost of the production of
24 the grain itself? And, before you answer me, let
25 me tell you why I am asking: 45 years ago you would
26 have taken -- or, your predecessors would have taken --
27 thousands of people from the Pacific Coast where I live
28 to help you harvest your grain, whereas today Massey
29 Harris or the Cockshutt people harvest it and do every-
30 thing else, and before we get home, they will likely
be baking the bread for you. Hasn't their cost of



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2 production come down as well as that of the railway?

3 A. Do you think either Massey Harris or
4 any of these other people have been doing this for us
5 for nothing?

6 Q. No, but they are doing it cheaper than
7 hand labour or you wouldn't do it.

8 A. We are not absolutely sure that this is
9 true. It is quite true we are doing it and, of course,
10 the hand labour is not available -- or, not available
11 in the quantity and at the prescribed time.

12 Q. Or the price?

13 A. Yes, the price is a big factor.
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2 Q. Yes. Well now, I want to move around
3 with you to this No. 18, because you have mystified
4 me about nationalization of railways, since we get
5 into the Prairie region.

6 Would you just tell me, would you agree that
7 even if you could not nationalize the airlines, and
8 you suggest the nationalization of the two railways,
9 and then you follow it with the pipelines and trucking --
10 now, is it the view of your farm organization that if
11 you could only just nationalize the two railroads that
12 you would want to do that?

13 A. If you could, you would limit your
14 nationalization to the two railroads, you suggest?

15 Q. Do you want to do that?

16 A. It is the policy of the Farmers' Union
17 that, in the best interest of people concerned, they
18 feel that nationalization of railroads without integra-
19 ting the whole railroad operation would be in the
20 interests of all people concerned.

21 Q. Just railroad operation?

22 A. Yes.

23 Q. Even if you could not integrate the
24 trucks?

25 A. They are not necessarily related, no.
26 That is, we are going further here in suggesting that,
27 to get maximum efficiency and to put transportation into
28 the channels that it could do the best job, that you
29 might have to nationalize all of these facilities in
30 order to do that. But, as far as the union policy
is concerned, it has been for years the policy of the
organization that nationalization of the railroads
themselves would be in the interest of national economy.



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2 Q. Well now, again, I say you use this
3 language -- and you used it very nicely; don't make
4 any misunderstanding in my approach, because I like it,
5 as a matter of fact -- you have said there is no
6 greater free enterpriser than the farmer of Alberta.

7 Will you tell me, on that basis, if you would
8 not rather free enterprise the C.N.R. than nationalize
9 the C.P.R.? In other words, bring about an amalga-
10 mation under the free enterprise system?

11 A. Well, frankly, I would have to say this:
12 that there is a difference between a small free enter-
13 priser and a large free enterpriser.

14 Q. Not in principle, no. Well, you go
15 ahead.

16 A. No. I will say that, in principle, not --
17 but, in practical approach, yes, that the larger an
18 operation gets, the more or the easier it becomes to
19 trample the small people underfoot. And for that
20 reason it is necessary that we are reasonably careful
21 when we allow anything to get large enough, that either
22 we have maximum controls, or that we have it built in
23 such a way that you confine the problem of operation so
24 that you do not hurt too many small people.

25 Q. Well, you would rather be trampled
26 underfoot by the state than you would by Mr. Sinclair,
27 who does not want to be liquidated himself?

28 A. I am not anymore interested in being
29 trampled underfoot by the state than I am by anybody
30 else. I am only assuming here that the principle of
31 doing this thing is right, and being right you would



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2 operate it in the interests of all people concerned,
3 not in the dis-interest of them.

4 Q. I wonder if I might just put this to
5 you, because it has been put to us before, and I happen
6 to think that this is a very serious problem for the
7 Commission to have to deal with, and it has to deal
8 with it.

9 It has been put to us in many places. The
10 suggestion was made in one place as a good example --
11 and with profound respect, I think it is a better
12 example than yours, when you have the C.N.R. as an
13 example -- that you have today telephones in some
14 provinces and power development in some provinces con-
15 trolled by the state and that they are successful.
16 Nobody doubts that. That was a statement of fact.
17 And, therefore, if that be so, there is no reason why
18 the two railways should not be socialized as well.

19 I would just ask you if you would agree with
20 me that that basis of argument is just from a business-
21 man's viewpoint, entirely out.

22 Let me put it to you this way. The state
23 and this province may and does -- I think it does,
24 as far as telephones are concerned, at least -- operate
25 telephones and power, but they do it under a complete
26 powerful monopoly. They are the state. Nobody else
27 can start a power plant; nobody else can start a
28 telephone company. If the rates are not suitable to
29 give the government what they want, they can put them
30 up, and nobody can say anything.

31 But, when you nationalize the railway, if you



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2 only do the two railways, there is no monopoly. There
3 may be a monopoly as far as you can express it, that
4 it is a national monopoly of the two railways. But
5 there is no monopoly of transportation, because you
6 have three other lines of transportation who will still
7 compete with that monopoly. Do you agree with that?

8 A. I have to agree in principle, yes, there
9 is no question about it. The only principle that I
10 disagree with is that it does not naturally follow
11 that you get the most efficient method of transportation
12 just because you have competition.

13 Q. No, but you would agree, I think --
14 perhaps not out loud, but with me -- that private
15 enterprise will give you more efficiency than any
16 government organization?

17 A. I am not prepared to agree with that,
18 because I have seen too many instances where it does
19 not apply.

20 COMMISSIONER ANSCOMB: You and I will have
21 to have a chat privately. Thank you, Mr. Nelson.

22 BY COMMISSIONER MANN:

23 Q. Mr. Nelson, you have been a most patient
24 witness, and we appreciate your patience. We have
25 covered a lot of what I had intended to discuss with
26 you. I have one question for you, and that arises out
27 of the remark you made in paragraph 6 of your submission,
28 and I am referring in particular to the sentence:

29 "If the individual farmers' market haul is
30 thereby increased, it would be necessary that
he be compensated for the added cost."



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2 Now, would you think that such compensation
3 could be achieved by giving the farmer the benefit of
4 lower rates that could be perhaps given to him following
5 a saving by the railways of cost incident upon that
6 branch line?

7 A. It would be a measure of relief, but it
8 would be a discriminatory relief in this particular case,
9 because one farmer would be bearing a higher cost --
10 not an additional cost, but a higher cost -- in compari-
11 son with the relief the others would be getting,
12 around him. That would be the only point.

13 Q. You want to tie the compensation down
14 to the particular line, rather than the aggregate of
15 the region or area?

16 A. I am particularly interested in arriving
17 at a final solution to this thing so that no one person
18 or group of persons will bear an undue share of the
19 reduced costs. We want to keep it as near equal as
20 we possibly can. I realize that this is an impossi-
21 bility, but we do not want us to get too far away from
22 that concept.

23 Q. That's right. Could such compensation
24 also be given to the farmer by enabling the municipality
25 in which he lives, or the province in which he lives,
26 to build him better roads to make up for the loss of
27 the branch line, for instance?

28 A. It could very well be a large factor in
29 the change.

30 Q. Would that be what you mean when you say,
"... that he be compensated for the added
"cost"?



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2 Could that be part of what you mean?

3 A. It could be part of it.

4 Q. But not all of it?

5 A. Not necessarily. It becomes, as I
6 said before, necessary to study the whole thing in its
7 context and come up with the best answer that we
8 possibly can.

9 Q. I have just one more question of Mr.
10 Nelson.

11 In your submission, at page 3, you talk about
12 progressive reduction of service. And, in answer to
13 Council, you talked about the fact that little by little
14 service should be reduced, if it was found necessary.

15 Do you think that it is the gradualness of
16 abandonment and discontinuance that is very important;
17 you don't want any such change?

18 A. That is correct. A sudden change hurts
19 indiscriminately, and I do not think that it is justified
20 in this instance, or any other instances that I can
21 think of.

22 Q. Do you think, then, Mr. Nelson, that the
23 farm community of your province should be given advance
24 notice of the overall intentions of abandonment?

25 A. That's right, and I think plans made
26 accordingly, so that everybody can adjust as it becomes
27 necessary.

28 Q. What time period, if you can answer that,
29 roughly. We don't want to tie you down to a year or
30 so, but what time period have you in mind in regard to
advance notice? How much would you need? How much



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2 time would you need?

3 A. I think that you would have to look
4 quite extensively into the future in anything like
5 that, because I think it has a bearing on more things
6 than just individuals. You have certain facilities;
7 these facilities need to be replaced after a period of
8 time. Once notice is given that a certain change is
9 going to be taking place, then everybody concerned would
10 be in a position, that the onus would be on them, if
11 they established any new facilities or anything on that
12 line.

13 That is, proper time should be given so that
14 everybody would govern themselves accordingly. I
15 wouldn't want to tie it down to any particular time at
16 all. It could be ten years, twenty years. It might
17 be longer.

18 It has to be a planning project that would
19 take into consideration all things. Time would be a
20 big factor.

21 Q. Do you think that such planning should
22 be joint planning by the carriers and the communities
23 affected, or some authorities representing the
24 communities?

25 A. I always maintain that the more joint
26 planning you can have, the better for everybody
27 concerned.

28 COMMISSIONER MANN: Thank you very much, Mr.
29 Nelson.

30 THE CHAIRMAN: Thank you very much, Mr.
Nelson. I think the Commission has been struck in all



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2 three provinces with the reception that has been given
3 to the idea that there must be some abandonment of
4 lines and service. That is to say, rails are
5 regarded as essential, but there is recognition that
6 "you cannot have your cake and eat it, too", probably.
7 And we have to surrender something in order to maintain
8 what is. That is the attitude that governments, farm
9 organizations, and individuals have been making to us.

10 Thank you very much, Mr. Nelson.

11 THE WITNESS: Thank you very much.

12 THE CHAIRMAN: We will have a short recess.
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DENNIS S. O'CONNELL, Sworn.

BY MR. FRAWLEY:

Q. Your name is Dennis S. O'Connell, and you live in Lethbridge and you are the executive secretary of the Lethbridge Chamber of Commerce.

A. Yes.

Q. And you have prepared a brief to be presented to this Commission, a brief on behalf of the Lethbridge Chamber of Commerce, and it has been suggested, Mr. O'Connell, that owing to the lateness of the hour that the brief could be taken as read. In other words, it will be incorporated into the transcript as if it had been read by yourself, and will that be satisfactory to you?

A. Yes.

MR. FRAWLEY: So that on that basis, then, the questioning by counsel for the various interests should proceed at once, Mr. Chairman.

THE CHAIRMAN: Thank you.

MR. O'CONNELL: May we first express our appreciation at being given the opportunity to present a brief to you on this matter which is of vital importance to the development of Southern Alberta.

1. The City of Lethbridge has an historical association with one of the items being considered by you. Lethbridge is the eastern terminus of the Crow's Nest Pass Railway which was built in 1898 as a result of the Crow's Nest Pass Agreement on freight rates covering export grain. This matter has received much attention, in fact, in our opinion an excessive



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2 amount of attention, from the experts, and we do not
3 intend to comment on the matter at any length. We
4 would suggest, however, that if the Commission is to
5 consider the matter of profits (or as the railroads claim,
6 losses) resulting from the Crow's Nest Pass Agreement
7 they should cause the railroads to file statements
8 relative to their profit and loss position with regard
9 to Agreed Charges under which category much of the rail
10 freight traffic moves today. They should also file
11 statements relative to their passenger traffic profit
12 and loss position. These and other matters, which the
13 Commissioners in their wisdom deem pertinent, should
14 be investigated before there is any thought of jeo-
15 pardizing the Crow's Nest Pass Grain Rates upon which
16 so much of Western Canada's, and indeed all of Canada's,
17 prosperity is dependent.

18 2. Lethbridge is the trading and market center
19 for a large area which is served by one railway, The
20 Canadian Pacific. We believe that on the whole, this
21 area has received excellent service from the Canadian
22 Pacific. Relations between agriculture, industry,
23 the public and the Company have been good. Railway
24 lines of the C.P.R. radiate in eight different routes
25 from the city.

26 3. Our submission will be based on two points of
27 view. The first is that of agriculture, which has
28 been the main source of income in this area both for the
29 area as a whole and for the Railway for the past sixty
30 years, and the second is that of industry which is
growing in importance in this area as well as in other
parts of Alberta.



4. Dealing in the first instance with agriculture, it is not our intention to repeat many of the facts, figures and arguments which will be set out in many other briefs filed by organizations in Western Canada. However, the following table indicating the new wealth production on the Lethbridge C.P.R. Division; the farm production on the same Division and the percentage that the second forms of the first will indicate how important agriculture is to the Lethbridge district.

YEAR	1. NEW WEALTH PRODUCTION	2. FARM PRODUCTION	PERCENTAGE 2 OF 1
1949	\$151,010,000	\$127,210,000	84
1950	130,675,000	106,338,500	81
1951	129,508,750	107,021,000	82
1952	173,500,000	145,500,000	84
1953	157,275,000	125,275,000	79
1954	130,200,000	98,200,000	76
1955	149,870,000	108,870,000	73
1956	170,500,000	136,500,000	80
1957	164,150,000	133,150,000	81
1958	187,708,000	155,958,000	83

3. We also wish to point out that a very large number of farmers in our area are being affected and will be more affected by the price squeeze between the selling price of farm produce and the purchase price of the machinery and other items required to produce crops. There are over 500,000 acres of irrigated land in Southern Alberta. It is admitted that many farmers on small dry land acreages are being forced out of business by rising production costs. As a result dry land farms are being consolidated and there are fewer and fewer owners. Whether this tendency is a good thing or not is subject to argument, but this tendency towards larger units is not possible in irrigation farming. The economic unit of an irrigated farm must remain



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2 small. Intensive cultivation and a large labour force
3 are required to produce the specialized crops which
4 must be grown on irrigated lands if costs of operation
5 are to be met.

6 6. We therefore submit that:

7 (a) on the importation into this district of the
8 tractors, trucks, farm machinery, fertilizers and all
9 other necessities required for agricultural production,
10 freight rates should be kept as low as possible con-
11 sistent with the operation of the Railway.

12 (b) on the export of our agricultural products,
13 freight rates should be on a basis so that neither this
14 district nor any other district will suffer from an
15 unfair disadvantage, one over the other, in the
16 marketing of these products either in their natural
17 state or as manufactured products.

18 7. The agricultural economy of this area and
19 especially the irrigated areas have been greatly
20 strengthened by the establishment of factories which
21 have processed our agricultural products into
22 finished products. These factories include sugar
23 factories, flour mills, canning factories, quick
24 freezing plants, a seed processing plant, a brewery
25 and a macaroni factory. The continued progress of this
26 area depends upon the establishment of more of these
27 food processing plants as the population of Western
28 Canada grows and our irrigated acreage increases.
29 Therefore, we merely wish to re-iterate the statement
30 that freight rates should not permit an undue pre-
ference to an industry in one area over a similar in-
dustry in another area. For example, if a plant in



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2 Lethbridge is producing a product this plant should be
3 able to ship as far from Lethbridge as another plant
4 shipping towards Lethbridge is able to do on an
5 equalized freight rate structure.

6 8. Since the discovery of oil at Leduc in 1946,
7 there has been a very rapid increase in industry in
8 Alberta. Most of these new plants have been established
9 at or near Calgary and Edmonton. Both of these centres
10 are served by two railroads and both are on the main
11 lines of transcontinental routes. We in Southern
12 Alberta suffer a disadvantage in the establishment of
13 industry because of these facts, but especially because
14 of the fact that only one railroad serves the area.
15 We suggest that a detailed economic study be made of
16 the feasibility of a second railroad. We ask the
17 Commission to take cognisance of this request and ask
18 them to note that we are already suffering under suffi-
19 cient disability vis a vis one railroad and that we
20 should be relieved of the burden of any further
21 incquities.

22 9. As a general submission we say that freight
23 rates should not give an undeserved preference to the
24 manufactured goods of one area over those of another
25 area in Canada and in particular no undue preference
26 of rates should be extended to any city or cities in
27 Alberta, otherwise our industrial complex pattern will
28 be further distorted by an unbalanced freight rate
29 structure.

30 10. To that end we believe:

(a) That rail freight charges for the same distance
should be the same in all parts of Canada for the same or
like commodity.



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2 (b) That if a railway enters into an Agreed Charge
3 agreement with an industry in one city in Alberta, this
4 Agreed Charge should be open to all similar plants in
5 Alberta on an equal mileage basis for the same commodity.
6 Otherwise, it might be impossible for a similar
7 industry to establish in another part of Alberta without
8 first obtaining the consent of the Railway through an
9 Agreed Charge Agreement.

10 (c) Agreed Charge Agreements for shipments from
11 Eastern Canada to the Pacific Coast should not be
12 permitted to violate the 1 1/3 rule contained in
13 Section 332B of the Railway Act. If a railway enters
14 into an Agreed Charge rate, say, for shipment of a steel
15 product from a point in Eastern Canada to Vancouver, then
16 the 1 1/3 rule should apply to the charge on shipments
17 of this steel product from the same Eastern Canadian
18 point of origin to its destination in Alberta.

19 (d) That evidence should be received on all
20 aspects of the railway's operations and that the
21 Crow's Nest rates should not be treated as an entity
22 unto themselves but viewed against the background of
23 the railway's total operation, and in the light of their
24 historic institution and development.

25 (e) That it must be recognized that the railways
26 for many years will continue to play an integral part in
27 the development of Canada and must not be allowed to
28 take any action that will be to the detriment of the
29 Canadian people and ipso facto in the long run to their
30 own detriment.

31 (f) That the railroads are best able to correct



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2 inequities that exist and that government action should
3 not be taken until the welfare of the Canadian people as
4 a whole is patently and flagrantly placed in jeopardy.

5 (g) That on goods imported from the United States,
6 joint through rates applied should not merely be a
7 combination of the rates applicable over the U.S. lines
8 and those applicable over the Canadian lines, but rather
9 should be based on the total length of haul from point
10 of origination to the point of destination.

11 All of which is respectfully submitted on behalf of
12 the Lethbridge Chamber of Commerce in the sincere
13 belief that a study of its contents by the Commissioners
14 will redound to the benefit of the people of Canada.

14 CROSS-EXAMINATION BY MR. COOPER:

15 Q. May I direct your attention to paragraph 4
16 on page 2, and would you just give the Commission the
17 source of the figures that are shown there.

18 A. Every year the Lethbridge Herald makes
19 an economic analysis for the whole year, and these
20 figures are taken from the Lethbridge Herald.

21 Q. These figures, I take it, are not avail-
22 able as yet for 1959?

23 A. Yes, they are, but this brief was prepared
24 before that and they were not available and we were
25 in the process of preparing the brief. I can certainly
26 have them sent to you if it will help the Commission.

27 Q. Well, you might direct a letter to the
28 Secretary of the Commission, giving him the figures
29 for 1959.

30 A. I shall do that.



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2 Q.. On page 2, also, in paragraph 5, you deal
3 with the number of farmers in the area and the number--
4 perhaps I should say the number of acres of irrigated land
5 in Southern Alberta, and on page 3 you state that the
6 economic units of an irrigated farm must remain small.
7 Would you mind just indicating to the Commission the area
8 of such an irrigated farm in acres?

9 A. I would rather that Mr. Nelson were in the
10 witness box right now. I am not too well acquainted with
11 the exact size of the farms. We use the word sometimes as
12 a comparative statement, comparing it, of course, to dry
13 land farms.

14 Q. Perhaps you might enlarge on that a bit.
15 A dry land farm is what I would understand to be an
16 ordinary farm; is that correct?

17 A. A grain farm, yes.

18 Q. A grain farm?

19 A. Yes.

20 Q. Now, an irrigated farm is a farm, of course,
21 which has access to irrigated water, and I presume
22 produces crops of a different nature.

23 A. That is right.

24 Q. What crops?

25 A. Peas, corn, beans, pumpkin, squash.

26 Q. Market produce?

27 A. Yes.

28 MR. FRAWLEY: And alfalfa.

29 THE WITNESS: Alfalfa, livestock, sugar
30 beets.

31 Q. But you have no figures there on acreages



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2 on these smaller farms?

3 A. No exact figures, no.

4 MR. FRAWLEY: We are fairly well known for our
5 irrigated farming, and if the Commission would like some
6 data along those lines, our Provincial Department of
7 Agriculture, I am sure, would be glad to answer any
8 such questionnaire as Mr. Cooper might prepare for us.

9 MR. COOPER: Thank you very much.

10 THE CHAIRMAN: That is interesting, because
11 in Saskatchewan they have a dam now.

12 MR. FRAWLEY: They are just starting, and
13 perhaps like in many other things, we could teach them
14 something.

15 MR. SINCLAIR: They have had irrigation around
16 certain parts of Saskatchewan for a long time, Mr.
17 Frawley.

18 THE CHAIRMAN: But this is on a large
19 measure.

20 MR. FRAWLEY: The Canadian Pacific Railway
21 used to be in irrigation, and that is what you call an
22 "inner and outer", I suppose?

23 MR. SINCLAIR: I am glad that my friend has
24 brought this out, and I wonder when he produces the
25 information if he would like to say -- and he could get
26 this information -- what the contribution of the
27 Canadian Pacific was to the irrigation in this province?

28 MR. FRAWLEY: And on that I can be completely
29 unqualified; there are many things I hesitate to stumble
30 on when I am complimenting the Canadian Pacific Railway,
31 but not for what they did for irrigation in Southern
32 Alberta. So, we will include that.



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2 Q. In paragraph 7 on page 3, Mr. O'Connell,
3 I don't quite appreciate the meaning of the sentence
4 which you have there,

5 "For example, if a plant in Lethbridge is
6 producing a product, this plant should be able
7 to ship as far from Lethbridge as another
8 plant shipping towards Lethbridge is able to
9 do on an equalized freight rate structure."

10 Do I understand from this that you desire rates equalized
11 on processed food products going from Lethbridge and
12 coming into Lethbridge.

13 A. An equalized ten mile rate.

14 Q. Regardless of competitive factors or
15 anything else?

16 A. I don't follow your question?

17 Q. If you had a competitive rate coming
18 into Lethbridge, and you didn't have such a rate going
19 out, you would expect to get the same rate for the
20 processed food products going out as the competitive
21 rate coming in.

22 A. Yes.

23 Q. Now, have you any instance, Mr. O'Connell,
24 where Lethbridge is at a disadvantage due to the present
25 freight rate structure under which they might possibly --
26 and when I say "they", I mean the processed food
27 producers in Lethbridge -- that they have to pay a higher
28 rate to get their products out of Lethbridge than the
29 products could go into Lethbridge at.

30 A. You mean available to me?

Q. Yes.



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2 A. No sir, I don't have any available with
3 me.

4 Q. Are there such instances that you know of?

5 A. There have been. I think there are some
6 that still exist.

7 Q. You mean the situation is better now than
8 it used to be?

9 A. Yes.

10 Q. Why?

11 A. There have been agreed charges put in for
12 some manufacturers in the Lethbridge District, which
13 then would benefit all the Lethbridge District.

14 Q. Now, in paragraph 8, you state that,
15 "We in Southern Alberta suffer a disadvantage
16 in the establishment of industry because of
17 the facts, but especially because of the fact
18 that only one railroad serves the area."

19 Now, is not Lethbridge adequately served at
20 the present time by the Canadian Pacific Railway, or
21 what is the situation?

22 A. We did have a specific case of an industry
23 which is -- I don't think they are going to locate in
24 Lethbridge, and the primary reason is that there is only
25 one railroad.

26 THE CHAIRMAN: The next sentence, I think,
27 is the first request we have had in Canada for a second
28 railroad.

29 Q. That is what was interesting me. We have
30 heard a lot about too many lines, and rail lines of
Canadian National and the Canadian Pacific running parallel,



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2 and suggestions that there should be co-ordination of
3 service, but as the Chairman says, for the first time
4 now there is a request that a second railroad go into a
5 community.

6 A. It is not a new request.

7 Q. In so far as Lethbridge is concerned,
8 you mean?

9 A. Yes.

10 Q. Now, in paragraph 10, are you having a
11 number of suggestions there, and (a) is,

12 "That rail freight charges for the same
13 distance should be the same in all parts of
14 Canada for the same or like commodity."

15 You take into consideration competitive
16 factors there, or do you consider that any commodity
17 moving in Canada over a certain distance should move in
18 any other part of Canada at the same rate regardless
19 of competitive factors or anything else.

20 A. Yes.

21 Q. I see. Now, in Section (b) you say,
22 "That if a railway enters into an Agreed
23 Charge Agreement with an industry in one city
24 in Alberta, this Agreed Charge should be open
25 to all similar plants in Alberta on an equal
26 mileage basis for the same commodity."

27 I presume, Mr. O'Connell you are aware that
28 under the Transport Act, Section 32, subsection 10,
29 that the Board of Transport Commissioners can fix a
30 similar charge for any party, upon his showing that he
has been discriminated against because there is an agreed



charge in existence with respect to a similar industry.

Do you not consider that this is adequate protection in the circumstances which you have outlined?

A. No, we would rather see an automatic thing rather than have to have the onus of proof upon us.

Q. So, automatically, you should be entitled to a fixed charge without any necessity of proving similar circumstances or anything of that kind.

A. What do you mean by "similar circumstances"?

Q. Unjust discrimination; you merely wish to make the automatic application, and without any inquiry into the matter at all you consider that you should be entitled to a fixed charge, or the industry should be entitled to a fixed charge.

A. Yes.

Q. That is all, thank you.

CROSS-EXAMINATION BY MR. BRAZIER:

Q. Mr. O'Connell, can I direct your attention to subparagraph (c) of paragraph 10 on page 5 dealing with agreed charges to the Pacific Coast? Can you tell me why you make that statement?

MR. SINCLAIR: He lives in Alberta.

THE WITNESS: Well, that is the only reason I can think of.

Q. Because you live in Alberta.

MR. FRAWLEY: That is a good enough reason. There are no traitors in this Province.



CROSS-EXAMINATION BY MR. McDONALD:

Q. Mr. O'Connell, I just have a couple of questions. On page 2, paragraph 4, where you are dealing with new wealth production and farm production, and so on; what is new wealth production, what is the nature of it?

A. It is the whole new revenue produced as a result of agricultural production and manufactured products.

Q. You have here "farm production"; is farm production included in 1?

A. Yes. You will note the third paragraph has "percentage 2 of 1".

Q. But this figure of \$127 million, is that included in the \$151 million?

A. It is.

Q. And the same all the way down. Is oil included in the new wealth production?

A. Yes, it is.

Q. So therefore you have on this document for the year 1958 under new wealth production, that 83 per cent of that would be farm production?

A. That is right.

Q. And on page 5 you are speaking of goods imported from United States and you say, "joint through rates applied should not merely be a combination of the rates applicable over the U.S. lines and those applicable over the Canadian lines, but rather should be based on the total length of haul from point of origination to the point of destination."



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2 You want a number of joint through rates before
3 covering everything.

4 MR. FRAWLEY: What is that?

5 Q. You want a number of joint through rates
6 covering everything, or have you specific commodities
7 in mind?

8 A. The joint through rates should not be
9 merely a combination of the two individual rates, but
10 should rather be based on the total mileage of the haul.

11 Q. And have you taken that up with the rail-
12 ways to see if you could get them to negotiate something
13 along that line?

14 A. Not as a Chamber of Commerce, but members
15 of the Lethbridge Chamber of Commerce have.

16 Q. You are only dealing with my friend,
17 Mr. Sinclair, there. You are not dealing with the
18 Canadian National.

19 A. That is right.

20 Q. I had better leave that to him.

21 MR. FRAWLEY: Don't ask it a number of
22 times, either.

23 MR. McDONALD: Thank you very much.

24 CROSS-EXAMINATION BY MR. SINCLAIR:

25 Q. Mr. O'Connell, if, irrespective of
26 competition a rate was to be put into force as if
27 competition existed, and as a result railway revenues
28 were substantially reduced, would you expect that the
29 loss in these revenues would be made up by increasing
30 the entire rate structure?

31 A. You mean on the particular area or through-
32 out our system?



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Q. Throughout the system.

A. Yes, I would say that that would be the stand.

Q. And then, if the rate that had been fixed previously to meet the competition would be increased along with all other rates, then it would then be too high to meet the competition of the railways, and you would either have to reduce it or forego the traffic. Now, on which petard do you wish to ride?

A. I would suggest that that is an oversimplification.

Q. I am asking you, and it may be an oversimplification ...

THE CHAIRMAN: Let him answer.

THE WITNESS: I don't see how one can answer when you take a particular matter out of its context, and then say, "What is the answer to the whole question?"

Q. If, as a result of losses of revenues, you had to increase the rates; you couldn't increase them above where the competition would allow them to stand, could you?

A. That is right.

Q. Then, if you couldn't get your revenues at that level of rates, where would you get the revenues necessary?

A. It could come from increased efficiency; it could come from other departments.

Q. Other departments of what?

A. Of the Canadian Pacific.

Q. Oh. So, this is what you think should



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O'Connell, cr-ex
(ISinclair)

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2 be done, that the railways should not stand on its own
3 feet.

4 A. No, definitely not, the railroads should
5 stand on its own feet.

6 Q. I see. Do you not agree that if you
7 followed your proposition through, that the result would
8 be that the railways wouldn't be able to meet competition,
9 but would have to forego some of their traffic?
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2 A. That is possible, that they would have
3 to forego some of their traffic, as they have done.

4 Q. And if the traffic that it is compelled
5 to forego was contributing something to the railways'
6 constant costs, by foregoing it, the balance of the
7 traffic would then have to carry that amount in addition
8 to constant cost?

9 A. Yes, I would say the position is much the
10 same as we think pertains with some agreed charges,
11 that other rates have to bear the losses that accrue
12 from the agreed charges.

13 Q. Do you know anything about the average
14 revenue per ton mile for agreed charges?

15 A. No, sir.

16 Q. Do you know whether agreed charges as a
17 whole are good traffic, medium good or bad traffic, from
18 the revenue standpoint?

19 A. No.

20 Q. You have never analyzed agreed charge
21 traffic as a whole. The evidence here, Mr. O'Connell,
22 is that next to class rates, it returns to the railway
23 the highest revenue?

24 A. I had heard you make that statement today,
25 and that is the first time I knew it.

26 Q. I suppose the Chamber of Commerce of
27 Lethbridge is no different from the Chamber of Commerce
28 of any other thriving city, and that is it would like to
29 have all the advantages it has and anymore that it can
30 get?

31 A. Naturally.



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2 Q. Irrespective of whether by doing so it
3 might necessarily affect adversely someone else?

4 A. Our primary objective is the welfare of
5 the community we serve, but I could not agree to the
6 second part of your statement.

7 Q. If, for instance, the abolition of trans-
8 continental competitive rates ---

9 MR. FRAWLEY: Which he certainly is not
10 advocating at all, anymore than the Province of Alberta
11 is.

12 MR. SINCLAIR: If as a result of the sugges-
13 tions of Alberta, it resulted in the abolition of trans-
14 continental competitive rates, and that adversely
15 affected the railway industry, Canadian shippers, would
16 you think that was a factor ---

17 MR. FRAWLEY: Before the witness answers the
18 question, I want the record to show that Mr. Sinclair
19 is just endeavouring to terrify the witness; that is all.
20 There is no necessary connection whatsoever between what
21 the witness is talking about, the one and one-third
22 rule, and the taking out of trans-continental rates.

23 MR. SINCLAIR: Mr. Chairman, may I say, how
24 could a man by the name of Ian Sinclair ever terrify a
25 man by the name of O'Connell -- or Mr. Frawley?

26 MR. FRAWLEY: This is 1960, not 1829.

27 MR. SINCLAIR: Q. Mr. O'Connell, if you are
28 not terrified and you remember that question -- would you
29 like me to restate it for you?

30 A. Please.

Q. If, as a result of the suggestions of
Alberta, in which you join-- and, as Mr. Frawley said,



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2 there are no traitors in Alberta -- transcontinental
3 competitive rates were taken out, and as a result
4 Canadian shippers were adversely affected as the railway
5 industry was adversely affected, would you think that
6 that was a matter that should receive consideration?

7 A. Yes, I do think it is a matter that should
8 receive consideration, always bearing in mind that you have
9 put two or three "ifs" in the question.

10 Q. I recognize that, because I don't intend
11 to prove that now, and I am quite sure that I may say
12 to you that it has been proved on other occasions.

13 MR. FRAWLEY: That, of course, I do not
14 accept, and I register my formal objection.

15 MR. SINCLAIR: We have joined issue before,
16 and we have joined issue again.

17 THE CHAIRMAN: Often.

18 MR. SINCLAIR: And I hope many times in the
19 future. Thank you, Mr. O'Connell.

20 ~~COMMISSIONER~~
21 BY COMMISSIONER MANN:

22 Q. I have a question, Mr. O'Connell: at
23 paragraph 8 you make this rather startling suggestion
24 for the construction of another railroad. You mentioned
25 earlier that you lost one plant at Lethbridge because
26 you only had one railroad. Was that a plant interested
27 in shipping from Canadian Pacific points to Canadian
28 National points?

29 A. Sir, I would ask you to excuse me
30 answering the question. The information I have is
31 still confidential and is still under consideration.
32 It would involved shipping to many points.



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Q. Including Canadian National points?

A. Yes.

Q. Have you ever discussed with Canadian Pacific and Canadian National the possibility of having joint through rates from Lethbridge -- are there any now at all?

A. Yes, there are.

Q. And that still is a disability?

A. Yes.

MR.FRAWLEY: If I may, Mr.Chairman, ask a question I intended to ask in connection with that question just raised by Mr. Commissioner Mann.

BY MR. FRAWLEY:

Q. Mr. O'Connell, are you aware that for many, many years there were not enough inter-line rates, joint through rates, between the Canadian Pacific and Canadian National -- anymore than you could count on the fingers of one hand?

A. Yes, and we did a lot of work on that four or five years ago.

Q. And during the last four or five years there has been some amelioration of the rule that existed for a long time which was that if a traffic was moving from Lethbridge to a local point on the Canadian National Railways, even in this province or any part of Western Canada -- or, anywhere in Canada, that the rate would be constructed by a full Canadian Pacific rate to the point where the Canadian Pacific let go of it, and then a new rate would start from the place where the Canadian National took it to the Canadian National



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2 destination: you are aware that is the way in which
3 the rates were constructed for many years?

4 A. Yes, I am.

5 Q. Is that one of the reasons why there has
6 been a feeling in the Lethbridge area that they could
7 very well do with another railway?

8 A. Yes sir, we have had meetings with the
9 C.P.R. officials on this very point before.

10 THE CHAIRMAN: We will adjourn now.

11 THE WITNESS: May I thank you, Mr. Chairman,
12 for your indulgence in allowing me to appear so late,
13 and also counsel?

14 THE CHAIRMAN: We will adjourn until ten
15 o'clock tomorrow morning.

16 ---Whereupon the hearing adjourned, at
17 to resume at 10.00 a.m., Wednesday, February 17, 1960.
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Mr MacDague

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

EDMONTON, ALTA.

VOLUME No.:

37

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court House, Edmonton,
Alberta, on the 17th day of
February, 1960.

COMMISSION

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Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
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Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Edmonton, Alberta,
Wednesday,
February 17, 1960

---On commencing at 10.00 a.m.

THE CHAIRMAN: Very well, Mr. Frawley.

MR. FRAWLEY: Mr. Harrold of the Alberta
Wheat Pool is here to make a statement and Mr. Wood,
his solicitor, is here with him.

MR. WOOD: Mr. Chairman and members of the
Commission, I would like to introduce Mr. Gordon L.
Harrold, who is the President of the Alberta Wheat Pool.

The Alberta Wheat Pool is a co-operative
grain handling and marketing organization with a
membership of approximately 48,000 Alberta farmers.
The Alberta Wheat Pool operates about approximately
560 some odd elevators in the province, and they handle
between 35 to 40% of the commercial grain going into
country elevators in the province.

Mr. Harrold was born and raised in Lamont,
Alberta, and joined the Alberta Wheat Pool as a member
in 1940. He was elected as a delegate in 1942, and
served in that capacity until the following year when
he was elected a director of the organization. Mr.
Harrold held that position from 1943 until 1957 when
he was elected as President, in which capacity he now
serves. I would like Mr. Harrold to take the stand.

GORDON L. HARROLD, called



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2 THE CHAIRMAN: Good morning, Mr. Harrold.
3 You confirm what Mr. Wood has said?

4 MR. HARROLD: I will say I won't disagree
5 with it anyway, sir.

6 THE CHAIRMAN: Would you proceed.

7 MR. HARROLD: An objective analysis of the
8 problems facing Canadian rail transportation must, by
9 the very nature of the complex subject involved,
10 cover an extremely broad field. Indeed, if recommenda-
11 tions are to provide adequate solutions to existing
12 problems, then every aspect of railway business should
13 be considered. Moreover, since there are some unique
14 features of growth of Canadian railways, due considera-
15 tion must also be given to some historical facts in
16 order that current issues may be viewed in their proper
17 perspective. When the railways claim that the Crowsnest
18 Pass rates result in a highly unprofitable operation in
19 handling grain and flour and, in fact, imply that this
20 is their only real problem, then this statement must be
21 carefully examined in the light of all available
22 relevant facts

23 The setting for any examination of Canadian
24 railway transportation problems dates back to the
25 early period of history when government policies first
26 moulded plans for a great rail transportation system.
27 Following confederation, it was immediately evident
28 that all Canadian transcontinental railway was necessary,
29 not only to assist settlement of the new lands, but to
30 secure the West for Canada. That the Fathers of



1 Confederation were concerned with the latter is revealed
2 by a statement made by Sir John A. Macdonald in 1870:
3 "It is quite evident to me -- that the United States
4 government are resolved to do all they can, short of
5 war, to get possession of the western territory, and
6 we must take immediate and vigorous steps to counter-
7 act them. One of the first things is to show our
8 resolve to build the Pacific Railway"

9 (1) Morton, Arthur S and Chester Martin, History of
10 Prairie Settlement and "Dominion Lands" Policy,
11 Vol II, Toronto, 1938, pp. 225-226.

12 Thus, after some abortive attempts, it was not long
13 until a charter was finally completed in 1881 which
14 eventually resulted in the construction of the Canadian
15 Pacific transcontinental line.

16 The initial features of the charter are well
17 known. Essentially the railway was a joint effort
18 between Canadian Pacific and the government since
19 generous federal assistance was provided for construction.
20 Original terms of the agreement included a cash subsidy
21 of \$25 million and 25 million acres of land "fairly fit
22 for settlement;" land for right of way, sidings and
23 structures; substantial exemptions from taxes and
24 duties; and a twenty-year guarantee against certain
25 competitive construction in the West (Monopoly clause
26 cancelled in 1888). In addition, the C.P.R. also
27 received 713 miles of completed railway financed by
28 the government, costing \$37,785,320.

29 (2) Fowke, V.C., The National Policy and the Wheat
30 Economy, Toronto, 1957, pp. 48-49.

According to the Royal Commission on Transportation of



1 1931, the C.P.R., in final analysis, received 22,152,531
2 acres of Dominion lands, having returned some of the
3 original grant for an additional cash subsidy of
4 \$10,189,521 and received other lands through acquisition
5 of subsidiaries.

6 (3) Report of the Royal Commission on Transportation,
7 1931, p. 89.

8 Other railways, too, received Dominion lands
9 for construction. By 1896 these federal grants
10 totaled 31.8 million acres.

11 (4) Report of the Royal Commission on Dominion
12 Provincial Relations, Book 1, 1940, p. 71

13 The feature of providing land as incentive
14 for railway construction was not a new idea when the
15 C.P.R. charter was finalized. The railway land grant
16 system had been in operation 22 years in the United
17 States by the time a first attempt at a transcontinental
18 line was considered in Canada in 1873. However, it is
19 interesting to note that by the time the system was
20 implemented in Canada, it had fallen to discredit in
21 the United States and was largely considered obsolete.
22 Moreover, misuse of United States railway land was a
23 feature fairly well known in Canada. But the need
24 for a transcontinental line was considered an emergency
25 where expediency rather than careful planning ruled in
26 decisions involving finance. It is perhaps noteworthy
27 that the railway land grant system in Canada followed
28 a similar cycle of existence to that in the United
29 States and came to an end with the last grant of
30 Dominion lands for railway building in 1894. Neverthe-
less, the feature of the railway being "built by means



1 of the land through which it had to pass" became firmly
2 entrenched as part of national policy, a fact that
3 has important implications to this day.

4 The basic purpose of the national policy
5 was to unite geographically dispersed and sparsely
6 settled colonies and territories to form a national
7 unit. Since continental or imperial integration was
8 not possible, it was apparent that certain compensatory
9 measures were necessary to overcome the obstacles on
10 the road to nationhood. Furthermore, because of the
11 diversity of the problems at hand, it was often
12 necessary to make further additions to the initial
13 features of national policy.

14 It has been clearly established that the
15 Crowsnest Pass Agreement of 1897 was part of Canadian
16 national policy.

17 A well known authority on government policy
18 and economic development, Prof. V.C. Fowke of the
19 University of Saskatchewan declares: "The construction
20 of the Crow's Nest Pass branch by the Canadian Pacific
21 Railway Company in the 1890's was an extension of the
22 Canadian railway system clearly dictated by the
23 national policy. The matter at stake for the Company
24 and for the nation was the commercial mastery of a
25 segment of Canadian territory lying close to the
26 American boundary and endowed with a measure of economic
27 promise which had but recently been displayed"

28 (5) Fowke, V.C., op cit., p. 53

29 There appears to be general agreement on the
30 status of the Crowsnest Pass Agreement in regard to



1 planned action of the Canadian government. Both the
2 Royal Commission on Dominion Provincial Relations of
3 1939 and the Royal Commission on Transportation of
4 1951 are unanimous, as are many other reliable sources,
5 in the opinion that the Agreement of 1897 is undoubtedly
6 part of a policy having the single aim of achieving
7 nationhood. Basic components of the national policy
8 can not justifiably be removed from the over-all plan
9 and evaluated as separate entities. No one segment
10 would, on its own merit, have achieved the gigantic
11 objective of building a Canadian nation. Because of
12 this there is a large amount of interdependence between
13 various phases of national policy. Therefore, we
14 must examine present day railway problems within the
15 framework of total national policy and not base analysis
16 only on the Crowsnest Pass Agreement which is just
17 one small segment interwoven inextricably with the
18 basic plan.

19 The interrelationship of the Agreement of 1897
20 with other phases of national policy can be appropriately
21 illustrated by the effect of the Agreement on total
22 railway land holdings. As mentioned earlier, sub-
23 stantial amounts of Dominion lands were granted to
24 the railway to provide incentive and revenue for con-
25 struction. Although lands were initially to consist
26 of odd number sections in a 48 mile belt centered
27 about the rail line, companies were granted the
28 privilege of "indemnity selection" which grew to
29 have widespread application. Not only did indemnity
30 selection provide railways compensation in other



1 grants for lands already settled, but also extended
2 grants beyond the range of the 48 mile belt when
3 it became apparent that this belt could not supply
4 the total amount of land provided for in contracts.
5 In selecting alternative acreage, railway companies
6 adhered closely to their privilege of selecting lands
7 "fairly fit for settlement." When the sectional
8 system of land allocation was introduced in 1881,
9 the C.P.R. policy for land selection was governed by
10 the following statement. "If any such sections con-
11 sist in a material degree of land not fairly fit for
12 settlement, the company shall not be obliged to re-
13 ceived the same as part of the grant."

14 (6) Morton, Arthur S., and Chester Morton,
15 Op cit., p. 271

16 The obvious result was that the railway
17 acquired the bulk of the best farm lands in Western
18 Canada. By 1908, the majority of lands granted to
19 railways were concentrated mainly in the black soil
20 zone, with a conspicuous absence, except for blocks
21 of C.P.R. land acquired for irrigation development,
22 of holdings, in what was known as Palliser's Triangle,
23 largely at that time claimed unfit for settlement and
24 farming.

25 It is immediately apparent that the railways
26 had a large stake in agricultural development. Only
27 a prospering farm economy could quickly enhance the
28 value of the great landholdings of the railways and
29 provide new traffic. However, the majority of railway
30 lands were alternated with free government homesteads.



1 Since one half of a section was considered optimum
2 for raising wheat, it was expected that settlers
3 placed on one-quarter section homestead sites would,
4 in time, purchase at least another quarter section
5 of adjacent railway property. Thus, while the railways,
6 and the C.P.R. in particular, played a unique role in
7 settling government homesteads, they were, in the
8 final analysis, also vitally concerned with their own
9 land holdings. This fact is borne out by the follow-
10 ing statement found in the C.P.R. annual report of
11 1884. "The Directors have devoted their attention
12 almost entirely to promoting the settlement of the
13 free Government lands within the railway belt and
14 south of it to the International boundary, meanwhile
15 making little effort to effect sales of its own land.
16 Until the free homesteads are pretty well taken up and
17 occupied, there cannot be any great quantity of land
18 sold to the settlers. The free homestead lands in
19 the railway belt and south of it, as far west as
20 Moose Jaw, are already largely taken up, and it cannot
21 be long before there will be a good market for the
22 company's land in all that section of the country,
23 when the great importance of the Land Grant as an
24 asset of the Company will begin to be appreciated"

25 (7) Ibid., p. 317

26 As a result of depressed economic conditions,
27 prior to 1896, there was considerable emigration to
28 the United States. Canadian expansion in the West
29 during the eighties was not impressive. But by 1896
30 there were some indications of recovery. With rapid



1 population growth in the industrial regions of the
2 world, there arose a demand for new sources of food.
3 Expansion of a wheat economy in the West was the
4 answer to that region's development problems.

5 One of the factors hindering agricultural
6 development up to this time was high freight rates.
7 In spite of the many criticisms of the rate structure,
8 the railways remained adamant in their resistance to
9 requests for lower rates. But after the somewhat
10 disappointing experience in western settlement, it
11 is understandable that the C.P.R. suddenly reversed its
12 stand in 1897 and readily accepted the terms of the
13 Crowsnest Pass Agreement which not only provided for
14 reductions of 3¢ per 100 lbs. on grain and flour
15 destined for export from Fort William or Port Arthur,
16 but bound the company to lower rates on certain
17 classes of west bound freight as well. (See Appendix
18 A). Any action which would establish a grain growing
19 industry on the prairies would also enhance the value
20 of railway land grants and would result in a greater
21 volume of rail traffic. These were factors of con-
22 siderable importance, although by no means the only
23 items which induced the C.P.R. to accept the terms of
24 the Agreement of 1897.

25 The wheat boom on the prairies, which closely
26 followed signing of the Agreement, had immediate effect
27 in speeding sale of railway lands. In 1897 sales of
28 C.P.R. land were only 135,681 acres, but disposal
29 climbed rapidly in the following years to 1,362,478
30 acres in 1901 and 2,260,722 acres in 1902 (peak years



1 for C.P.R. sales prior to 1930). Sales then levelled
2 out to the mid-twenties and declined with the onset
3 of the great depression of the thirties. However,
4 by 1930, 16,044,880 acres had been sold bringing in
5 revenue of \$153,964,233. Furthermore, the C.P.R. had
6 purchased or acquired lands other than those supplied
7 by the Dominion; and while the railway inherited an
8 area nearly twice as large as Nova Scotia, a chief
9 clerk of the C.P.R. once estimated that company's holdings
10 at "about thirty millions of acres". Undoubtedly
11 possession of this vast acreage, selected largely for
12 agricultural purposes, had considerable influence on
13 the C.P.R.'s entry into an agreement that would make
14 growth of a grain farming industry possible on the
15 prairies.

16 It is interesting to note, too, the trend of
17 railway land prices during the wheat boom. From 1893,
18 when the average price of C.P.R. land was \$3.17 per acre,
19 prices rose gradually to \$8.97 per acre in 1908, and
20 then rapidly climbed to \$21.40 per acre in 1921. While
21 it is true that the railway did not at first charge
22 high prices for its holdings, it was not in the interest
23 of the company to do so. The total land grant to the
24 C.P.R. was large enough that the company could offer
25 some land at low prices to establish the necessary
26 settlement to provide traffic and make further purchases
27 at a later date. The wheat boom did enhance land values
28 during this later period. From 1908 to 1921 sale of
29 5,841,758 acres provided revenue of \$96,627,797, or
30 almost 2/3 of total receipts from sales of C.P.R. lands



up to 1930.

The Crowsnest Pass Agreement, as a part of national policy, was an important piece of legislation that made expansion of wheat growing possible on the prairies. Without reasonable freight rates, Canadian grain and flour could not be expected to compete in world markets with grain from other sources close to tidewater. Furthermore, concessions made to establish a grain industry in Canada, like concessions made to develop rail transportation, not only had favorable effects to the recipients of this assistance, but to the entire nation as well. In this regard the Royal Commission on Dominion Provincial Relations states: "The national policies of all Canadian transportation and protective tariffs were effective in making the wheat boom the basis of general economic expansion in which the manufacturing industry of Eastern Canada became heavily dependent on the agricultural export region of the Prairies".

(12) Report of the Royal Commission on Dominion Provincial Relations, Book 1, 1940, p. 87

Basically, national policy had far reaching influences, not only for the railways, but for all of Canada. We respectfully submit that the Crowsnest Pass Agreement of 1897 is related to all phases of national policy, including the policy of land grants for railway construction. Therefore, when analyzing railway problems, the benefits accruing the railways from land grants, many of which continue to this day, should be weighed against the so called disadvantages of hauling grain at low rates.



As mentioned earlier, the prospect of enhancement of the company's western lands, although an important consideration, was not the only inducement for signing the Crowsnes Pass Agreement. In the first place, the cash subsidy of \$11,000 per mile (which totaled \$3,404,720), while it did not entirely pay the cost of constructing the line from Lethbridge, Alberta, to Kootenay Landing, B.C., was considerably larger than the subsidy of \$5,000 per mile proposed by the previous government. The company also obtained 3,755,733 acres of land through acquisition of the British Columbia Southern Railway, which further helped defray the cost of the line even though a large portion of this grant was returned to the Province of British Columbia at 40 cents per acre. However, in considering the value of the subsidy to the C.P.R. it is important to note their over-all objective as outlined by the Royal Commission on Transportation of 1951: "In the controversy which arose upon the subject of these Crowsnest Pass rates the Commission was asked to give due weight to the advantages, apart from the bare amount of the subsidy, which the company expected to acquire, and did acquire, by entering into this agreement with the Government. It is, of course, certain the company did not build the railway merely for the sake of the subsidy. The real value of the subsidy was that it enabled the company to construct a line which gave it an all-rail link between its main line and the Kootenay region, and thus assured it of a railway monopoly throughout a large territory



1 believed to be rich, particularly in mineral resources,
2 and which might otherwise have been traversed by
3 American lines"

4 (13) Report of the Royal Commission on Transportation,
5 1951, p. 240

6 The interest of the company in securing a
7 monopoly in Southern British Columbia is further
8 illustrated by their action in establishing other
9 transportation lines in this region prior to the
10 Agreement of 1897. The C.P.R. annual report for 1889
11 contains the following statement: "To prevent the
12 invasion, by foreign lines, of the Kootenay District,
13 in British Columbia - a district rich in precious
14 metals and other natural resources - your Directors
15 have secured the control of the charter of the
16 Columbia and Kootenay Railway Company, and agreed with
17 the Provincial Government that the railway shall be
18 built, about thirty miles in length, during the present
19 season, to connect the navigation waters of Kootenay
20 Lake with those of the Columbia River, thus opening a
21 line of steamboat and railway communication of more
22 than 250 miles --"

23 (14) C.P.R. Annual Report for the Year 1889, p. 18.

24 In the years 1890 to 1896 the C.P.R. built
25 or leased other railway and water transportation
26 facilities which served the rich mining area of the
27 Kootenays. These included: The Columbia and Kootenay
28 River Navigation Co., the Nakusp and Slocan Railway,
29 a line from Revelstoke to Arrowhead, and various
30 other short lines. The company's interest in the
area is clearly spelled out in the annual report of



1 1896.

2 "But even with these important additions to
3 its facilities for handling the traffic at the mining
4 districts, your company will continue at a disadvantage
5 in competing with the American lines (which have
6 already reached Nelson, Rossland and other important
7 centres in these districts) until it shall have direct
8 railway connections of its own. Until then the greater
9 part of the mining traffic will be beyond its reach,
10 and will continue to be, as at present, carried by
11 the American lines southward.

12 "Your Directors are strongly of the opinion
13 that any delay in securing your interests in that
14 direction will be extremely dangerous, - that unless
15 your Company occupies the ground others will, the
16 demand for shipping and travelling facilities being
17 most urgent. The Directors feel that they cannot too
18 strongly urge the immediate construction of a line
19 from Lethbridge to a connection with your Columbia
20 and Kootenay Railway at Nelson, a distance of 325
21 miles, and anticipating your approval they have
22 already taken steps towards commencement of the work
23 on the opening of spring"

24 (15) Annual Report of the Canadian Pacific Railways
25 Co. for the Fiscal Year Ending December 31st,
26 1896, p. 10.

27 It is evident that the C.P.R. was interested
28 in a line through the Crowsnest Pass prior to signing
29 the Agreement. Mineral wealth was no small incentive
30 in this regard. In fact, the company was later able
to integrate a profitable mining and smelting operation



1 with the government sponsored Crows Nest Pass line.
2 The value of these complementary factors should be
3 given fair consideration when analyzing present day
4 Crowsnest rates.

5 There were many benefits associated with
6 the Crow's Nest Pass line that made signing the
7 Agreement very attractive. Moreover, the fact that
8 the company lowered rates in 1903 below the maximum
9 permitted by the Agreement, indicates that the new
10 rates did not inflict hardship on the C.P.R. The
11 Crowsnest Pass Agreement, although it had no time
12 limit on the provision for lowering certain rates,
13 undoubtedly looked good to Canadian Pacific.

14 Since 1897 there have been some broad changes
15 in application of the terms of the initial contract.
16 The most important are those resulting from the last
17 major revision through legislation to amend the Railway
18 Act in 1925. Briefly, this amendment relieved the
19 railway of applying reduced rates on western shipment
20 of certain capital goods. The original rates on grain
21 and flour were extended to all points on the C.P.R.
22 lines in the west and to other railways in the area.
23 (See Appendix B). By 1927 the Crowsnest rates were
24 applied to export shipments of grain and flour to the
25 west coast, and to Hudson's Bay.

26 Because the legislation of 1925 resulted in
27 broad changes in application of the original agreement,
28 the railways and in particular the C.P.R. have con-
29 tended that the agreement has been done away with.
30



1 However, this very question was raised in Parliament
2 when the Bill for Amendment of the Railway Act was
3 presented by the Minister of Railways and Canals.

4 Right Hon. Arthur Meighen (leader of the
5 opposition). "Would the Minister say whether any
6 portion of the agreement remains in existence as
7 an agreement, after this statute passes? That is
8 to say: Does the agreement die and the House enact
9 certain rates, which formerly were in the agreement
10 to take its place?" Mr. Graham (Minister of Railways
11 and Canals): "This phase of the question was the
12 cause of a good deal of discussion and a good deal
13 of thought by the government. It was finally decided
14 that the Crowsnest Pass Agreement should remain so
15 far as grain and flour were concerned"

16 (16) House of Commons Debates, 1925, p. 3954

17 Throughout debate on the Bill the objective
18 of the government to retain not only the basic principle
19 of low rates on grain and flour, but the applicable
20 portion of the agreement itself, is constantly illus-
21 trated. Later in the debate, Mr. Graham made the
22 following replies when questioned on various aspects
23 of the Bill.

24 "This Bill does not propose to make statutory
25 rates for any part of Canada"

26 (17) Ibid., p. 4312.

27 "...The fact is that the Crowsnest Pass
28 Agreement is allowed to remain on the statute books
29 as regards grain and flour"

30 (18) Ibid., p. 4331



1 "If the Government did not stand as a
2 buffer, the Crowsnest Agreement would have been
3 wiped out at this session by an enormous majority"

4 (19) Ibid., p. 4474

5 Finally Prime Minister MacKenzie King
6 also appraised the situation.

7 "In other words it (the government) is allowing
8 part of that agreement to remain but is taking part
9 away -- Now while we are taking away part of the
10 Crowsnest Pass Agreement under this arrangement, the
11 Government is extending the security with respect to
12 flour and grain to an area much beyond that which was
13 fixed in the original Agreement"

14 (20) Ibid., p. 4438

15 From the foregoing it appears that Parliament
16 intended not only to maintain the Agreement in respect
17 to grain and flour but also enlarge its application.
18 This is the interpretation given by the Board of
19 Railway Commissioners after the amendment was made,
20 as is evidenced by a statement made by A. D. Cartwright,
21 Secretary of the Board, in explaining the legislation
22 in a letter to Mr. Young, Member of Parliament for
23 Saskatoon.

24 "That the Railway Act was amended by
25 Parliament at the session of 1925, and the amendments
26 were assented to on the 27th of June 1925, extending
27 the application of the Crow's Nest Pass Agreement to
28 grain and flour moving from all points on all lines
29 of railways west of Fort William or Port Arthur; over
30 all lines now or hereafter constructed by any company

subject to the jurisdiction of Parliament"

(21) House of Commons Debates, 1927, p. 692

In spite of the fact that the Royal Commission on Transportation of 1951 expressed the opinion that the amendment of 1925 "did away with" the Crow's Nest Pass Agreement, there is considerable evidence that this was not the case. Other studies have taken the opposite view, including the Royal Commission on Dominion Provincial Relations.

The basic issue remains that the C. P. R. willingly entered into a contract to maintain reasonable rates on grain and flour for export. Clearly, there were many incentives that made the arrangement attractive to the railway. As late as 1938 C.P.R. officials were still of the opinion that these incentives justified signing of the agreement, as is revealed by a statement made at Senate hearings investigating railways, by a former president of the C.P.R., Sir Edward Beatty.

MR. BIGGAR: "In your memorandum which you read this morning, Sir Edward, speaking of grain - the bottom of page 18 and the top of page 19, you say that the charges for the distribution and handling have to be such as to permit the delivery of grain into the markets of the world in competition with the grain of other countries, and that therefore the charges must be so and so. I suppose you mean really that it is better for the railways to have the grain grown and hauled than not to have it hauled at all, which would happen if the rates were higher?-"



SIR EDWARD BEATTY: "Yes, if I might add a word there, Colonel Biggar? Sir William Van horne made an agreement with the Government for the Crow's Nest Pass rates. A great many people criticized that because they said he only got \$3,000,000 odd in the way of subsidies for building that line, and in consideration of that he made this very drastic reduction on grain rates, and certain other commodities west-bound. I have always thought Sir William Van Horne was 100 per cent right. He knew the geography of this country, he knew where our competition would come from, and he knew our only salvation in the markets overseas was low freight rates in Canada in view of our distances. I think he went into that with his eyes open and undoubtedly made a good bargain. I think he made a good one both for the country and the railways. And that must have been the influence that actuated him in that matter."

(22) The Senate of Canada, *Proceedings of the Special Committee*, No. 12, 1938, p. 566

Because that portion of the Agreement dealing with grain and flour applies to this day, and because it is part of an extensive national policy designed to provide compensatory measures for disadvantages facing not only agriculture, but railways as well, all benefits associated with and complementary to, the Agreement must be considered when analyzing current rail transportation problems. A large number of additional sources of income were developed or enhanced as a result of concessions of national policy.



1 These provided a lasting type of benefit. For
2 example, although much of the railway's land holdings
3 were sold during the wheat boom, extensive mineral
4 rights were retained.

5 In 1951 a CPR prospectus stated that the
6 company held, under varying reservations, title to
7 petroleum rights underlying 11,384,256 acres of land
8 in the prairies, the bulk of which was in Alberta.
9 While the railway interest in land has changed from
10 the point of view of agricultural revenue to returns
11 from mineral wealth, the fact that these benefits
12 accrued from a national policy designed to offset
13 certain disadvantages in establishing and operating
14 rail transportation systems, should never be
15 forgotten. Therefore, due consideration should
16 be given to other income in assessing rail transportation
17 problems.

18 When rail rates on grain and flour are said
19 to be a burden to other shippers, this, in effect, is
20 a charge that these rates are discriminatory. Yet
21 there are many examples where the railways themselves
22 practice geographical rate discrimination. Shippers
23 of skelp to the prairies are faced with undue burdens
24 in that the rate from Hamilton to Calgary is approximately
25 twice as high as the rate from Hamilton to Vancouver.

26
27
28 The question of whether or not a specific
29 operation is profitable may well be asked in respect
30 to other phases of the railway business rather than



1 just for handling grain and flour. It is safe
2 to say that there are very few businesses indeed, that
3 do not experience losses on some aspects of operation
4 in order that over-all profits can be maximized. This
5 situation very well could apply to Canadian railways,
6 and for this reason all facets of the business should
7 be examined.

8 Provision of a subsidy as a tax exemption
9 provides a convenient umbrella that can cover many ills.
10 When a company is assured of a gift of its own choice
11 to cover so called losses, then any incentives to
12 streamline operations and become more efficient are
13 completely removed. Western farmers are not in
14 favour of a subsidy to be paid to the railways and
15 charged to agriculture's account, that will result in
16 perpetuation of inefficient operations. Furthermore,
17 there is no justification in naming agriculture the
18 beneficiary of aid that can enable railways to
19 easier carry the burden of, say, passenger service,
20 hotels, etc., and further permit more rate discrimin-
21 ation through agreed charges.

22 The Crows Nest Pass Agreement, as part of
23 a broad national policy, that remains on the statutes
24 in regard to grain and flour to this day, has provided
25 many lasting compensatory provisions to both
26 agriculture and the railways. The Crows Nest
27 rates cannot justifiably be named as a burden to rail
28 operations without first weighing the countering value
29 of all associated forms of income against the acclaimed
30 disadvantages of hauling grain and flour at low rates.



1 In addition, it must be recognized that the Crows Nest
2 Pass rates are as essential for the survival of the
3 prairie grain industry today as in 1897. Western
4 agriculture demands not only that the Crows Nest rates
5 remain unaltered, but that a careful and objective
6 analysis be made of all phases of railway transportation
7 in the interest of continuation of a wise and reasonable
8 national policy for all of Canada. Respectfully
9 Submitted, Alberta Wheat Pool, G.L. Harrold, President.

10 MR. WOOD: Thank you, Mr. Harrold.

11 Would you answer my friends now?

12 THE CHAIRMAN: Mr. Cooper?

13
14 CROSS-EXAMINATION BY MR. COOPER:

15 Q. Mr. Harrold, on page 15, paragraph 42,
16 you say, "Therefore, due consideration should be given
17 to other income in assessing rail transportation
18 problems."

19 Now, I should like you to enlarge, if you
20 will, on the words "other income"; just exactly what
21 income have you in mind?

22 A. Well, in looking at the annual report
23 of the Canadian Pacific Railway, I realize that there
24 is a column there which includes other income, and
25 includes a number of different parts of their operation,
26 and it is what we try to relate to the National Policy
27 and especially the grain rates as it has to do with
28 land transactions, mainly, and the continuation of
29 that policy today into the petroleum rights, and so
30 on, that are available out of land transactions.



1 Q. What I wanted to find out for the
2 information of the Commissioners whether in using the
3 words "other income" you mean all income of the
4 Canadian Pacific Railway arising from no matter what
5 source, or whether you mean to impose a limitation
6 on the expression "other income" so as to include only
7 the income which might arise as a result of land
8 grants made to the Canadian Pacific, and so on.

9 THE CHAIRMAN: Does he mean non-rail income?

10 THE WITNESS: Pardon?

11 THE CHAIRMAN: Do you mean non-rail income?

12 THE WITNESS: We mean non-rail income here,
13 but we would like to relate it to that income that is
14 derived as a result of national policy, and I realize
15 that there are other incomes that the Canadian Pacific
16 Railway may have that have arisen out of other than
17 national policy; in other words; out of their own
18 initiative as a company going into certain businesses.

19 MR. COOPER: Q. Perhaps I can now refer
20 you to paragraph 41, where you state, "A large number
21 of additional sources of income were developed or
22 enhanced as a result of concessions of national policy."

23 Now, from what you have said, perhaps the words
24 "other income" should be related to the additional
25 source of income to which you refer in paragraph 41;
26 would that be correct?

27 A. Yes, I would agree that that is our
28 intention which is related in paragraph 41.

29 Q. So that "other income" doesn't extend
30 to other enterprises in the Canadian Pacific Railway,



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(Cooper)

1 but it does extend, perhaps, to the purely rail income?

2 A. That is right.

3 Q. And into income which the company obtains
4 because of advantages occurring to them from land
5 grants and other matters which were made in furtherance
6 of a national policy?

7 A. Right.

8 Q. In building the Canadian Pacific Railway?

9 A. That is right; that is what we are
10 trying to establish here.

11 Q. Now, one other point. On page 16,
12 paragraph 46, the second sentence in that paragraph
13 you say, "The Crows Nest rates cannot justifiably be
14 named as a burden to rail operations without first
15 weighing the countering value of all associated forms
16 of income against the acclaimed disadvantages of hauling
17 grain and flour at low rates."

18 Now, by those words, "associated forms
19 of income" do you mean the income of which we have
20 just been speaking?

21 A. That is right. Those words are, perhaps,
22 not quite the ones that should have been used there,
23 but that is what we had reference to.

24 Q. Now, there has been quite a lot of
25 information obtained from various witnesses, Mr. Harrold,
26 with respect to branch line abandonments, and I was
27 wondering if you could assist the Commission by
28 indicating the views of the Alberta Wheat Pool with
29 respect to branch line abandonments, and perhaps I
30 canput the matter to you in the form of this question;



1 what limitations or conditions does the Pool think should
2 be imposed on the railways with respect to branch line
3 abandonments?

4 A. Well, Mr. Cooper, as you have noticed,
5 we don't in this particular brief refer at all to branch
6 line abandonments, but we have discussed it a number
7 of times and I think that the attitude of our assoc-
8 iation would be that if the proper safeguards and
9 protections and notices were given, that we would
10 not object to the proper abandonment of certain branch
11 lines in which, possibly, you could say our interests
12 were involved and our farmer members were involved,
13 but proper consideration should be given before I
14 would give a blanket answer that we are in favour of
15 branch line abandonments.

16 Q. Have you any views as to what would
17 constitute adequate notice?

18 A. Well, we are interested in having enough
19 notice that we can lay out our own plans in the
20 interests of our own organization, both as to the
21 farmer members of the association as a whole, and we
22 are very much interested in our replacement programme
23 at the present time as to what might be in the offing
24 in the way of abandonment. I know of one or two
25 branch lines here in Alberta, one of which there is
26 an application for abandonment, and we have no
27 objection to it. However, we would like to have had
28 more notice than we have got so far.

29 Q. What notice did you get?

30 A. We got a statement showing that the



1 application was before the Board -- was coming before
2 the Board of Transport Commissioners, and serving us
3 with notice if we wanted to make any representation,
4 why, we could do so at that time.

5 Q. How many days or weeks or months before
6 the actual application was to be made did you receive
7 notice?

8 A. I could not give you that offhand.
9 I know it is in relation to the Kingman line, and I
10 would have to check that.

11 Q. I understand that the Wheat Pools and
12 the grain trade will be making submissions to the
13 Commission in Ottawa at a later date?

14 A. That is right.

15 Q. Perhaps at that time there will be
16 detailed submissions with respect to this problem
17 of branch line abandonments?

18 A. I think we will be on record at that
19 time with our opinions as to branch lines.

20
21 CROSS-EXAMINATION BY MR. HUME:

22 Q. Mr. Harrold, my name is Fred Hume, and
23 I am here representing the Canadian Trucking Association.
24 I congratulate you on a brief that is very complete
25 in its history, and somebody must have been doing a
26 lot of homework. There is only one portion of
27 it that concerns me, and it does not concern me so
28 much if you would just expand on what you mean at
29 page 16, the concluding sentence in paragraph 45.
30 As I read that, I can see you make several points and you



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1 conclude by stating your view that you did not want
2 to name agriculture as the beneficiary of a subsidy
3 aid, and then you proceed to say, "...that can enable
4 railways to easier carry the burden of, say, passenger
5 service, hotels, etc., and further permit more rate
6 discrimination through agreed charges". My only
7 question is, would you mind expanding what you mean
8 by "rate discrimination through agreed charges"?
9 What is in the mind of the Alberta Wheat Pool on that
10 question?

11 A. Well, by the very nature of the fact it
12 is an agreed charge and a bi-lateral arrangement, I
13 think it is evident that it is a different rate than
14 is applied if it is not an agreed charge. To that
15 extent, it is different from other rates. Whether
16 you want to use the word "discriminatory" or some
17 other word, it is probably a contract in which some
18 concessions have been granted and, so far as the
19 shipper is concerned, he is getting a lower rate than
20 he would otherwise. Whether the word "discrimination"
21 should be used or not, it is a different rate than
22 would be applied to any shipper who is not in a
23 position to take that agreed charge.

24
25 CROSS-EXAMINATION BY MR. DICKSON:

26 Q. Mr. Harrold, in your brief you make
27 a number of quotations from the debate in the House of
28 Commons in 1925, statements from the Honourable Mr.
29 Graham, who was then the responsible minister for
30 the legislation as Minister of Railways and Canals, all



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(Dickson)

1 to the effect that it was not the intention to put an
2 end to or terminate the Crows Nest Pass Agreement; is
3 that correct?

4 A. Yes, that is correct.

5 Q. And if I recall -- and you may have come
6 across it in your reading -- my friend Mr. Mauro from
7 the Province of Manitoba, in Ottawa quoted additional
8 excerpts from the debate, from the statements of
9 Mr. Graham, to the same effect; is that correct?

10 A. Yes. We don't include all of the
11 statements here.

12 Q. There are others?

13 A. Yes.

14 Q. ...which support the position you have
15 taken here?

16 A. I think so.

17 Q. In the report of the Royal Commission
18 on Transportation in 1951 the conclusion is reached
19 that it was the intention of the 1925 Government
20 to terminate the Crow's Nest Pass Agreement; is that
21 correct?

22 A. I believe that is in there.

23 Q. And there is one quotation from Mr.
24 Graham which is directly at odds with everything you
25 have quoted here and with the other quotations to
26 which I have referred and which Mr. Mauro supplied?

27 A. That could be.

28 Q. There is nothing in the report of the
29 Royal Commission on Transportation in 1951 which
30 refers to these conflicting statements or endeavours



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(Dickson)

1 to reconcile them?

2 A. I don't believe there is. We take
3 these quotations directly from Hansard. We don't
4 take them from the Royal Commission.

5 Q. Mr. Cooper asked one or two questions
6 on branch line abandonments, and I understand you will
7 be making a submission in more detail on that in
8 Ottawa, but there are just one or two points on which
9 I think the Commission may be interested. One is,
10 Mr. Nelson of the Farmers Union yesterday suggested
11 that grain handling facilities along the line to be
12 abandoned might be used for local storage. Would you
13 regard that as a practical proposition?

14 A. We, in our operation, have not tried
15 that to any extent. We have discussed it theoretically;
16 in other words, we haven't practised it, but I doubt
17 very much whether it would be very practical, myself.
18 I think it would be a better operation if there was
19 abandonment and the farmers had to haul a larger
20 distance, that there would not be a transfer or a
21 stop-over. I think a direct haul would be just as
22 advantageous in the long run.

23 Q. Would you contemplate scrapping the
24 facilities along the line to be abandoned, or propose
25 moving them?

26 A. Yes, we are prepared to do that if it
27 is in the general interest.

28 Q. You would not expect to leave them there
29 for local storage purposes?

30 A. No, I don't think that would be the way



1 it would end up. I might qualify that to this
2 extent: There might be local farmers, say one or
3 two, who may be interested in an elevator and, provided
4 they were in a position to purchase it, they might
5 be able to take it on.

6 Q. Oh yes, as a matter of purchase?

7 A. Yes.

8 Q. But, subject to that, your previous
9 statement holds true?

10 A. That is right.

11 Q. Is it possible to make any generalization
12 as to the distance to which farmers presently take
13 their grain?

14 A. No, I don't think there is, because
15 it varies, as you know, in this province from where
16 you are right next to the elevator to as high as
17 200 miles. I don't think there is any doubt about
18 it that with the change in the roads and the trans-
19 portation available now compared to the time when
20 the facilities were originally built that we could
21 expect to haul it much further than we could 20 years
22 ago with no more disadvantage as far as the farmer
23 was concerned. Certainly, with a truck -- a size
24 of a truck -- once the grain is loaded on to the truck
25 it can be moved another five miles without too much
26 difficulty.

27 Q. There is additional cost and time?

28 A. There is some additional cost, but I
29 think with the efficient handling of grain that the
30 farmer would benefit in the overall picture if there was



1 a reasonable distance established, yes.

2 Q. You were present at the hearings in
3 Winnipeg when Mr. Parker gave his evidence?

4 A. No, I wasn't at the hearings.

5 Q. Well, there was a case of abandonment
6 there where Mr. Parker indicated they were opposing
7 it, and in that case the additional haulage was 715
8 miles?

9 A. Yes.

10 Q. The question has been raised by the
11 railways, Mr. Harrold, as to onus of proof, and onus
12 of proof is a rather complex legal concept, perhaps
13 not as simple as it sounds, and I won't endeavour,
14 if I could, even, to tell you all the ramifications
15 of the concept or the ramifications of what is known
16 as the shifting of the onus of proof. However,
17 I think you can accept it that generally any party
18 that is putting forward a certain position is required
19 to establish before the judicial body, on a preponderance
20 of evidence, that his position is a proper one to be
21 received by the Commission, and the onus is on him at
22 the start and it continues on him throughout the
23 proceedings. There is a different amount of onus
24 in criminal proceedings by comparison with a civil
25 one. However, the onus itself continues throughout
26 with perhaps one or two minor exceptions, as in the
27 case of, say, liquor legislation where somebody is
28 found with a bottle, and the act may provide that then
29 it is up to him to show where he got it and that he
30 got it legally, and in that case you have the onus on



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(Dickson)

1 the accused, which I think you will agree is contrary
2 to the normal concept of British justice. The
3 proposal, as I understand it, in this matter of
4 reductions of services -- and this proposal comes from
5 the railways -- is that the railways should be required
6 only to come before the appropriate board, present a
7 financial statement and say, "we are losing money on
8 this line", and then the onus moves to the community,
9 to the farmers, to establish that that line must be
10 retained or the services of it. Then, the whole
11 burden of proof passes to the community. Now, do you
12 regard that as a fair proposition to the community?

13 A. Well, I would answer it this way: I
14 think we could establish a much better procedure than
15 that in order to decide whether we should abandon
16 some of these lines or not. For instance, there
17 are a lot of different levels of government involved,
18 and the local people as well -- the municipal government
19 and the provincial government -- and all of these
20 should be considered, and whether they have alternate
21 methods of transportation which are newer methods than
22 were in effect 25 years ago, and if this is a method
23 that has been used -- and I agree with you it is
24 probably right, subject to your explanation of onus
25 of proof -- I think we could certainly improve the
26 method of going at the abandonment of lines.

27 Q. At the present time the railways have
28 to establish before the Board of Transport Commissioners,
29 after consideration of all the factors, that the
30 Board should give approval: Do you feel that condition



1 should continue and that the burden should still remain
2 on the railways to establish, after consideration of
3 all the factors, that the line should be abandoned or
4 the service reduced?

5 A. Yes. I thought your former question
6 was that it was the other way around at the present time.

7 Q. No. At the present time the burden
8 is on the railways, and I am suggesting to you that
9 it should continue to be on the railways?

10 A. Yes, I agree with that.

11 Q. Another proposal has come forward, that
12 the railways should, in all fairness ---

13 A. Might I just qualify that to this extent:
14 Subject to what I have just said that there could
15 properly be a better procedure followed in the future.

16 Q. In the initial stages for getting together
17 and discussing?

18 A. That is right.

19 Q. Oh, agreed. A proposal has been made
20 that the railways should be required to disclose their
21 overall abandonment plans so that people know where
22 they stand for a reasonable time in the future: Would
23 you support that?

24 A. Yes, I would support that.

25 Q. And that there might be occasions where
26 it might be desirable to postpone the actual abandonment.
27 I think Mr. Nelson said for up to ten or twenty years;
28 would you agree with that, so that people would have
29 time to get their affairs in shape?

30 A. If there is a case for abandonment, I



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1 doubt very much if it should be extended for twenty
2 years.

3 Q. Well, that is an outside figure. He
4 said ten to twenty, and I believe one of the other
5 witnesses said five years?

6 A. I think that would be nearer the mark.

7 COMMISSIONER MANN: Mr. Dickson, if I
8 may interrupt: My understanding about what Mr. Nelson
9 said yesterday was not that the decision should be
10 postponed for a period of up to twenty years. I
11 think he replied to a question I asked him, and as
12 I recall the question it was, "What notice do you
13 require for abandonment of lines?", and then I think
14 that is when he talked in terms of five, ten or twenty
15 years. However, it wasn't that the actual decision
16 was to be postponed.

17 MR. DICKSON: No, the decision might be
18 made now with the abandonment taking effect later.

19 COMMISSIONER MANN: We didn't discuss the
20 abandonment.

21 MR. DICKSON: Just the notice.

22 COMMISSIONER MANN: There was no
23 discussion on the decision to abandon.

24 MR. DICKSON: Q. That would be along
25 your thinking too, Mr. Harrold, that you should not
26 have such a long ---

27 A. There may be some difference between
28 a notice of abandonment and the decision to abandon.

29 Q. Would you give me your views on both?

30 A. Well, certainly, if the decision was made



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1 and we knew in advance by a reasonable length of time
2 -- five years, in my estimation may be a reasonable
3 length of time -- and in some cases it may be shorter;
4 for instance, as far as this this Kingman abandonment
5 is concerned, we are not opposing it at the present
6 time, and that has been very short notice. So,
7 conditions could vary. However, I think a reasonable
8 length of time should be allowed after it was agreed
9 to be abandoned -- after the decision was made to
10 abandon it.

11 MR. FRAWLEY: Mr. Chairman, I have no
12 questions for Mr. Harrold, but I would like, as counsel
13 for the province, to compliment Mr. Harrold on what
14 I regard as his very excellent brief, and I would like
15 my compliments to extend to those people who had a
16 hand in assisting Mr. Harrold in the preparation of
17 this brief.

18 While I am on my feet, I would like also
19 to say that, as counsel for the province, I appreciate
20 very much the briefs filed yesterday and put into the
21 record by the Farmers Union and by the Lethbridge
22 Chamber of Commerce. In my view, also, they were
23 very helpful contributions to the work of the
24 Commission.

25
26 ---A short recess.

27 THE CHAIRMAN: Order, please, gentlemen.
28 Mr. Brazier?
29
30



CROSS-EXAMINATION BY MR. BRAZIER:

Q. Mr. Harrold, in your brief you speak of national policy, total national policy. Do you conceive national policy in Canada to be something that is dynamic and changing as Canada expands?

A. Well, I presume that certainly national policy has to change with changing conditions, surely.

Q. Mr. Frawley suggests that I should let you know who I represent. I thought you knew that I represented the Province of British Columbia?

A. Oh, yes.

MR. FRAWLEY: He represents the Province of British Columbia, Mr. Harrold, so that there will be no mistake.

Q. Your members would not, I presume, advocate that national policy is something that should always remain the same?

A. Well, I presume that Parliament sits once a year in order to consider national policy and make some additions to it from time to time, otherwise I don't know why they are sitting there.

Q. And national policy, of course, is something that is rather difficult to put into words; is that so?

A. Right, I agree.

Q. Do you agree with that?

A. Yes.

Q. And national policy, we could probably say, is made up of policies in respect to various phases of Canadian life?



1 A. Yes, I will agree with that.

2 Q. And total national policy is the sum
3 of all those policies?

4 A. Yes.

5 Q. And would you agree that the national
6 policy in respect to railways has changed over the last
7 75 years?

8 A. Well, I would say that certainly
9 national policy as it affects railways can be amended
10 from time to time, but it shouldn't be completely
11 changed.

12 Q. No.

13 A. Depending on what the ---

14 Q. I'm sorry, Mr. Harrold. Go ahead.

15 A. No, that's fine. That's all.

16 Q. Let me put this proposition to you.

17 In the 1880's or 1890's, could we agree that the
18 national policy of Canada was for an expansion of
19 railways in Canada?

20 A. I don't know as if it was for an
21 expansion of railways in Canada, but it was certainly
22 for the expansion of the holding together of the
23 country as a whole, and railways were a very important
24 part of it.

25 Q. And the federal government in particular,
26 and I think some provincial governments -- I know the
27 Province of British Columbia did -- encouraged the
28 building of railways for the purpose of developing
29 Canada?

30 A. Yes, that is true, sure.



1 examine present day railway problems within the frame-
2 work of total national policy ..."

3 Now, have you in mind there present day
4 total national policy, or the national policy of 1885?

5 A. No. We have in mind there present
6 national policy, certainly.

7 Q. I take it, too, from the tenor, the
8 general tenor of your brief, that you are willing
9 that the Crow's Nest Rate Agreement be considered in
10 the light of present day policy provided the other
11 things are looked at, too?

12 A. I would say this: That we have had
13 a total national policy in Canada with railways, and
14 if there are certain things in there that are binding,
15 and an agreement, they should be looked at, but if
16 there is any concessions to be made in relation to other
17 things -- in other words, they should be taken into
18 consideration, not only one of them, in relation to
19 national policy, not only singling out one part of
20 the overall picture.

21 Q. At the same time, you are willing that
22 the part that particularly affects your association
23 should be looked at with the rest of the matter?

24 A. We don't mind anybody looking at it
25 from time to time, as long as they don't do too much
26 with it.

27 Q. Page 13, paragraph 43, Mr. Harrold.
28 You say: "When rail rates on grain and flour are
29 said to be a burden to other shippers, this, in effect,
30 is a charge that these rates are discriminatory."



1 Would you agree that in recent years, say
2 the last five years, during which time certain increases
3 in rates have been granted to the railways; would
4 you agree that the fact that the increases did not
5 apply to grain and flour was a burden on the other
6 shippers of Canada?

7 A. I wouldn't put it that it was a burden
8 on it. It is obvious to anyone that if all rates
9 went up that some of them might not have to go up quite
10 so high, if some of them went up. That is obvious
11 to anyone. There are other considerations to be
12 taken into account before you say it is a burden on
13 other shippers, because a certain part of it stayed
14 the way it was.

15 Q. Would that also apply to the proposition
16 which you state in the third sentence of paragraph 43,
17 when you say: "Shippers of skelp to the prairies are
18 faced with undue burden..."?

19 A. We use this as an example of the fact
20 that there are differences in freight rates in Canada.

21 Q. You have enough, I know, Mr. Harrold,
22 to do with freight rates that you cannot conceive of
23 that situation being entirely eliminated at any time;
24 can you?

25 A. Well, I would say this: That there
26 are so many different rates and put in there for so
27 many different reasons, I do not suppose we can get
28 agreement from everybody that you can entirely eliminate
29 them.

30 Q. You would agree that the railways should



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Harrold, cr-ex.
(Brazier)

1 be permitted to publish rates to meet competitive
2 conditions provided the rates they publish give them
3 something over and above their out-of-pocket costs?

4 A. Well, I'm not an expert, Mr. Brazier,
5 on freight rate making. And I think we are dealing
6 with general principles here. And, in answer to
7 your question, I don't think I would object to the
8 railroads publishing rates that were put in for
9 competitive reasons. I think I can go that far.

10 Q. I would point this out to you, and
11 I think this is a fact, that you have certain competitive
12 rates between Calgary and Edmonton here in the Province
13 of Alberta; is that correct?

14 A. That is probably right.

15 Q. Yes. And would you think that because
16 they are competitive, they are lower than the rates
17 would otherwise be?

18 A. Obviously.

19 Q. Yes. And would you say, then, that
20 there was discrimination in those competitive rates?

21 A. Maybe discrimination is not the word
22 that we should have used here. There is certainly
23 a difference in them.

24 Q. I will go along with the use of the
25 word "difference", then.

26 Now, coming to the last sentence of your
27 brief, you say: "Western agriculture demands not
28 only that the Crow's Nest rates remain unaltered, but
29 that a careful and objective analysis be made of all
30 phases of railway transportation in the interests of



1 continuation of a wise and reasonable national policy
2 for all of Canada."

3 Now, is your association opposed to the
4 payment of a subsidy for the carriage of grain if it
5 is found that the rates are not bearing their costs of
6 transportation?

7 A. Well, certainly I think we tried to
8 point that out in this brief, that we are opposed to
9 a subsidy being paid on the basis of any one section
10 that to some people may be a low rate, when there
11 are other sections and other considerations to be taken
12 into account before that subsidy is applied.

13 Q. But you would like all the rates weighed,
14 and a subsidy paid for all that are found wanting?

15 A. If that seems to be the only solution,
16 it should be a general subsidy to cover the railway as
17 a whole. And I qualified that by saying "if that
18 seems to be the only solution".

19 Q. Now, I am not saying that this is so,
20 by any stretch of the imagination, but if, perchance,
21 it was found that only the grain rates were not paying
22 their full out-of-pocket expenses, what would your
23 position be then?

24 A. We have set out in several paragraphs
25 here that we think there are other considerations that
26 should be taken into account before you can arrive at
27 that position. And we are not prepared to admit
28 we have arrived at that point.

29 Q. I'm not asking you to do that. I say
30 after taking all these factors into consideration, if it



Harrold, cr-ex.
(Brazier)

1 is still found by this Commission or any other advisory
2 body that states this position that the railways are
3 losing money on the haulage of grain, would you then,
4 under those circumstances, be opposed to the payment
5 of a subsidy -- and, in the Province of British Columbia,
6 we do not care whether they pay it to the farmers or
7 to the railways -- a payment of a subsidy for the
8 carriage of grain?

9 A. You are assuming, then, of course, that
10 there are no other deficits in any other part of the
11 railway operation; am I right?

12 Q. Yes.

13 A. Well, I don't think we can assume that
14 at this point.

15 Q. I have to put it on that basis, because
16 we may not be able to prove any others, you see.

17 MR. FRAWLEY: You may not be able to prove
18 that one either.

19 MR. BRAZIER: Q. No. But if that
20 turned out to be the situation -- as I say, I am not
21 saying it will be at all -- what would be the position
22 of the members of your organization?

23 A. Well, there has always been one thing
24 that I have always gone along with and that is to face
25 a situation when I reach it. I won't agree that
26 we have faced that situation yet, and therefore I am
27 not on record.

28
29 CROSS-EXAMINATION BY MR. MAURO:

30 Q. Mr. Harrold, my name is Mauro. I represent



1 the Province of Manitoba, which lies east of here, and
2 as my good friend, Mr. Frawley, knows our other
3 distinction is that we have historically sacrificed
4 every advantage we have for the Province of British
5 Columbia, so there will be no doubt in your mind as
6 to my position.

7 Some questions have been asked you, Mr. Harrold,
8 concerning national policy, and I might say that I
9 think your submission here is an excellent factual
10 development of national policy in this field of
11 transportation.

12 I think that you would agree that national
13 policy has not changed since 1880, or since 1867.
14 Certainly, it has not changed in its objective, which
15 is the development of Canada for all Canadians. Is
16 that the position of your organization?

17 A. Yes, I think so. That is why I
18 qualified my former remark by saying there is need of
19 amendment from time to time.

20 Q. And that in 1880, when this policy
21 regarding rail construction was developed, the frontier
22 was Western Canada; and, in 1960, the new frontier is
23 Northern Canada; and that we are finding a real
24 transportation policy and a roads to resources policy
25 which is a translation of national policy for the
26 present day. Is that right?

27 A. I think that is correct.

28 Q. Now, my learned friend, Mr. Dickson, and
29 also Mr. Cooper discussed with you briefly this matter
30



1 of branch line deficits and branch line burdens, if they
2 do exist. And I think you have, in your organization,
3 taken an extremely fair approach to this problem.

4 We, in the Province of Manitoba, Mr. Harrold,
5 are attempting to place before this Commission some
6 possible solution -- whether they are accepted or
7 not will remain to be seen -- but we think it is
8 helpful to this Commission to have the opinions of
9 associations such as yours on these important problems.

10 And one idea that we have put forward is what we
11 call a branch line trackage maintenance fund, and we
12 say that assuming, for example, that there is this
13 five year notice -- or, it doesn't matter how many
14 years notice -- under the scheme, we envisage the
15 Board of Transport Commissioners find that the railways
16 are in fact losing a certain amount of money on the
17 maintenance of branch line operations, but that in
18 addition the lines should be maintained due to public
19 interest, the needs of the community that is built
20 up around that branch line. Then, under our
21 scheme, the railway would be compensated out of a
22 fund to be called the Branch Line Trackage Maintenance
23 Fund.

24 Do you think that your association would
be in favour of such a scheme as that?

25 A. Well, I'm sorry, Mr. Mauro, but I haven't
26 had a chance to study it in enough detail. I agree
27 that you have described it here very briefly, but
28 I wouldn't -- much as I would like to go along with
29 Manitoba -- I wouldn't want to go along wholeheartedly
30 with you at this moment, without studying it further.



1 Q. As you mentioned, you are going to make
2 a presentation later, and I thought I would mention it
3 to you, and I certainly hope you will get a copy of
4 the submission of the Province of Manitoba, because
5 your comments would be very valuable.

6 A. Yes.

7 Q. You mentioned at page 4, Mr. Harrold,
8 this matter of the very large subsidies received, or
9 grants received by the Canadian Pacific Railway in
10 encouraging the construction of the mainline from 1881
11 to 1885 and on. And you very aptly set out that
12 they received extremely valuable consideration, and
13 I might say that the Province of Manitoba has also
14 requested this Commission to look into these other
15 aspects from the viewpoint that there was a contract
16 entered into in 1881 between the Canadian Pacific
17 Railway and the Government of Canada under which this
18 very large land grant and the money grant were made
19 to that railway, and this is as binding a contract as
20 was the contract of 1897. Is that the position
21 of the Alberta Wheat Pool?

22 A. Yes, I think that is probably right.
23 We do not refer to the contract of 1881 in our brief
24 here, but we refer to it as national policy, and the
25 land grants that were made, and I assume that is what
26 you are referring to.

27 Q. Did you know there was a contract in
28 1881?

29 A. I haven't seen the contract.

30 MR. SINCLAIR: It is October, 1880, so he may



1 have his mind on the right one.

2 THE WITNESS: Thank you, Mr. Sinclair.

3 MR. MAURO: Q. It is under that contract
4 they received the 25 million acres and the 25 million
5 dollars, and it may interest you to know that in my
6 examination of Mr. Reid, the controller of the
7 Canadian Pacific Railway, in December, he mentioned
8 that the initial payment of capital into the Canadian
9 Pacific Railway was \$10 million, and I refer to the
10 Senate Committee meetings of 1920, where the officer
11 of the Canadian Pacific Railway said that by 1920
12 the value of the C.P.R. had increased to \$124 million.

13 MR. SINCLAIR: I don't think my friend
14 wants to mislead. There were additional applications
15 of capital also. You mean that?

16 MR. MAURO: Q. I think if you would look to the last
17 page of the examination again, you will see it is there.
18 I asked the question about the \$10 million being
19 increased from the time of payment in until 1920.

20 THE CHAIRMAN: Your point is on the initial
21 subscription.

22 MR. SINCLAIR: I am sorry, I will argue it
23 later.

24 MR. MAURO: Q. I just mention this
25 to you, Mr. Harrold, to substantiate and agree with you
26 that there were very valuable grants received by the
27 Canadian Pacific and which were granted to them in
28 consideration for the building and the perpetual and
29 efficient maintenance of that railroad, is that the
30 position?



1 A. That is the position we take in grain,
2 yes. I am not in a position to agree with your
3 figures that you have set out.

4 Q. No. However, you can check them. Now,
5 on page 15, paragraph 43, my learned friend, Mr. Brazier,
6 referred you to this matter of burden and questioned
7 you on it, and I wonder whether you might give the
8 opinion of the Alberta Wheat Pool on this particular
9 matter, because the Province of Manitoba has taken the
10 position that the burden that this Commission should
11 be investigating is not simply the burden of one
12 movement, namely, grain, but the total burden on the
13 shippers of the Province of Manitoba.

14 My question is, is it the position of the
15 Alberta Wheat Pool that particularly the burden that
16 this Royal Commission should be investigating, vis-a-vis,
17 the citizen of Alberta, is the total freight rate burden
18 and not simply the cost of moving the grain to point
19 of export?

20 A. Well yes, certainly; the position we
21 take is that if grain rates under the statutory grain
22 rates are a problem, there are certainly other problems
23 that should be looked at as well.

24 Q. But the freight rate bill of the members
25 of the Alberta Wheat Pool is not only made up of the
26 movement of grain, but also the movement into Alberta
27 of food stuffs and agricultural products and agricultural
28 implements and other commodities?

29 A. I don't think there is any doubt of that.
30 We didn't go into that matter in our brief. There is



1 no doubt agriculture, as far as the freight rate is
2 concerned in the west -- so far as freight is concerned
3 -- is a big user of freight, one of the biggest.

4 Q. You cannot just separate out and look
5 at what it costs him to move one commodity, because
6 he moves a great number of commodities each year and
7 upon which he pays a substantial freight bill?

8 A. That is right.

9 Q. And then officially, Mr. Harrold, I
10 think probably you would support the position of the
11 Province of Manitoba that if after a complete appraisal
12 of this whole situation that we are able to come to
13 that hypothetical spot which my learned friend Mr. ~~Mr.~~
14 Brazier arrived at, that only the grain rates are **faul-**
15 **ty** in the Canadian freight structure, would you agree,
16 then, that if the subsidy is necessary, that that
17 subsidy be paid to the railroad?

18 A. I thought, in answer to Mr. Fraser, I
19 arrived at the point where I wasn't going to commit
20 myself on that particular question at this time, because
21 we certainly maintain there are other things that
22 should be looked at before we arrive at that place.

23 Q. You agree that the contract of 1897, and
24 as varied in 1925, is still a binding contract, do you
25 not?

26 A. That is right.

27 Q. And the Alberta Wheat Pool doesn't
28 request any change in that contract?

29 A. No sir.

30 Q. You are happy with the terms of that



1 contract, are you not?

2 A. Yes.

3 Q. And if the Canadian Pacific Railway then
4 had difficulty in living up to its obligations under
5 the contract, then they are the ones that need the
6 subsidy and not the Alberta Wheat Pool?

7 A. Yes.

8 Q. Thank you.

9
10 CROSS-EXAMINATION BY MR. DOHERTY:

11 Q. Now Mr. Harrold, my name is Gordon
12 Doherty and I represent the Province of Saskatchewan.

13 May I just direct your attention to one or
14 two matters on the matter of branch lines. Mr.
15 Nelson in his evidence yesterday, as I understood it,
16 expressed the opinion that in establishing a branch
17 line that the railways assumed some obligation to the
18 people along that line to provide a service. Now,
19 what was your opinion beyond that; would you agree with
20 Mr. Nelson?

21 A. Well, as I said, we haven't got branch
22 lines in this particular submission, and we probably
23 would be prepared to go into that much deeper at a
24 later date.

25 However, I think I would agree with you that
26 far, that certainly when these railways were built,
27 the settlers that went in there went in on the
28 understanding that they had a railway fairly close to
29 them, and started up their operations on that basis,
30 yes.



1 Q. In speaking of the possible situation
2 where a line was abandoned, a member of the Farmers
3 Union had this to say, that the grain handling facilities
4 could still be used for local storage, and the grain
5 moved to the nearest line by truck at much less cost,
6 but if the individual farmer's cost in making
7 the haul is thereby increased, it would be necessary
8 that he be compensated for the added cost, and I also
9 understand your answer to an earlier question was that
10 you didn't think that your elevator storage could
11 be used advantageously for local storage?

12 A. I don't think it would be very practical,
13 myself. It might be possible to work out. That
14 hasn't been tried.

15 If there were some abandonments and the
16 situation arose, it could be -- there is no doubt about
17 it -- it could be tried for a while, and if it didn't
18 work out it would have to be dropped, but we don't
19 propose it as a method of handling abandonments at
20 the present time.

21 Q. May I ask, sir, what would be the
22 situation that your company would have regard to in
23 deciding whether or not you would retain the elevator
24 there or move it to another location?

25 A. Well, there are a number of considerations
26 when we decide either to place an elevator or rebuild
27 or build at a new town, and in considering the older
28 elevators there are a number of things we take
29 into account; how much grain they handle in the place,
30 what condition they are in, how much it will take to keep



1 them in condition, and things of that nature. Those
2 things are certainly taken into account before we
3 arrive at a decision on what we would do to that
4 elevator, whether we would scrap it or move it. It
5 would depend on the local situation.

6 Q. What would you foresee as the possible
7 distances that an elevator might usefully be moved?

8 A. Usefully be moved?

9 Q. Yes.

10 A. Well, that again depends on what
11 condition your elevator is in. We consider moving
12 an elevator up to ten miles, but it has to be a
13 reasonably good structure to make it a worthwhile
14 proposition from an economical standpoint. Beyond
15 that I don't think -- here again it depends on the
16 local situation, and you may have a condition where
17 you could move an elevator 15 or 20 miles, and then
18 again you may not. So, this question of moving
19 an elevator any distance is not very practical in a
20 number of instances.

21 Q. As to the matter of added costs that
22 would result from the abandonment of lines, what would
23 you consider to be those added costs, say, to the
24 farmer?

25 A. Well, as far as grain is concerned,
26 naturally if he had to haul it a little further than
27 he did before the abandonment took place, there would
28 be some added cost, but in today's operation of the
29 truck and good roads, an extra four or five miles
30 doesn't add too much to his costs.



1 We have members that are hauling up to 200
2 miles to some elevators, and in other instances, why,
3 they are only hauling a mile or two, so I haven't got
4 any figures as to the average haul as far as grain
5 farmers are concerned in Alberta.

6 Q. You would agree that in the actual
7 haul you would have to take into consideration the
8 actual cost of the truck and the farm labour involved
9 in that, and also the time element?

10 A. Well, the cost to who, the farmer?

11 Q. Yes, the farmer.

12 A. Well, I think I have stated that, that
13 an extra five miles doesn't really make much difference
14 in truck hauling today, not an appreciable amount
15 per bushel.

16 Q. Do you see any possibility of the
17 devaluation of farm lands as a result of the abandonment
18 of a line?

19 A. I think you are asking too general
20 a question, because it depends on the particular
21 abandonment that was taking place. For instance,
22 if I might refer again to this abandonment that is
23 under consideration now in Alberta on the Kingman
24 line, there are not too many centres on that particular
25 line; in other words, it has practically disappeared
26 so far as a store and a post office, and so on is
27 concerned, and they have within a reasonable distance
28 elevators they can haul to, and it is not too much
29 of a disadvantage when that line is abandoned. So,
30 each line will have to be considered on its own individual



1 merits as far as making a statement on that is
2 concerned.

3 Q. It would be a factor you would suggest
4 to be considered in each case?

5 A. Yes, I think so.

6 Q. On the matter of other assets, I
7 believe I understood you to say that you thought they
8 should be considered?

9 A. "Other incomes" is what we used here.

10 Q. Had you in mind that it would be
11 considered for the purpose of determining the freight
12 rates, or perhaps by way of a reduction in the amount
13 of the subsidy, if such a subsidy should be payable?

14 A. Well, what we are proposing here is
15 that other income should not be **set aside** and said
16 that it has no relation whatsoever to railway trans-
17 portation costs, and I think in the same instance
18 we can closely regulate these land grants and the
19 results therefrom to the actual railway operation
20 with regard to agriculture as it is today. There may
21 be other income that is not as closely related to
22 what we have tried to point out here, in that there
23 is some **that should be considered in any consideration of**
24 **overall freight rates as far as western agriculture**
25 **is concerned.**

26 Q. Thank you.

27 THE CHAIRMAN: Mr. McDonald?

28 MR. McDONALD: I think that Mr. Sinclair
29 should go first. I will reserve it now, and I may
30 have a question or two at the end.



Harrold, cr-ex.
(Sinclair)

1 CROSS-EXAMINATION BY MR. SINCLAIR:

2 Q. Mr. Harrold, as you know, I represent the
3 Canadian Pacific and my name is Ian Sinclair.

4 First, I would like you to just look at
5 a few places in your brief before I ask you some other
6 questions that I feel may be of some assistance to the
7 Commission in understanding your position.

8 In regard to your first paragraph, where
9 you say in the last sentence that the railways imply
10 that their only real problem is the unprofitable
11 operation in handling grain, as they allege it to be,
12 and those are not your exact words, but that is the
13 point which you are stating there?

14 A. Yes.

15 Q. In the light of the evidence that has
16 been given and, I am sure, brought to the attention of
17 at least of the Commission, I think to put it bluntly
18 it would be more accurately stated this way; that
19 the railways have said that the major problem -- the
20 Canadian Pacific, at least -- that the major problem
21 is the unprofitable handling of grain.

22 MR. FRAWLEY: I don't know how many times
23 we will have to go around that stump with Mr. Sinclair,
24 and if we go back into the record at the preliminary
25 meeting -- I wish I had a transcript here -- he said
26 that the only inequity -- with the order-in-council in
27 his hand -- the only inequity -- well, I will leave
28 that there.

29 MR. SINCLAIR: My friend is awfully, awfully
30 jumpy. I am asking the witness about what is the



Harrold, cr-ex.
(Sinclair)

1 problem. I will come to the inequities. Mr. Harrold
2 is assisted by his organization and he has got a
3 distinguished counsel here and doesn't need the
4 assistance of the great powerful organization that is
5 behind the Province of Alberta.

6 MR. FRAWLEY: In any event, when Mr.
7 Harrold is here and he is talking to Mr. Harrold,
8 that derision in his voice when he talked about the
9 Alberta Wheat Pool and the grain organizations, seems
10 to be absent from Mr. Sinclair's question.

11 MR. SINCLAIR: We will ask the questions
12 in the way -- I think my friend should be very careful
13 of the way he alleges certain matters concerning
14 myself or my client, and I think that is completely
15 improper.

16 MR. FRAWLEY: I say that you said the only
17 inequity was the Crow rates.

18 MR. SINCLAIR: I am not dealing with
19 inequities.

20 THE CHAIRMAN: Go on with the cross-
21 examination.

22 MR. SINCLAIR: Q. Will you answer the
23 question?

24 A. I will answer it this way ---

25 Q. I am dealing with problems and what
26 the Canadian Pacific has said about the actual major
27 problem.

28 A. You are suggesting ---

29 Q. With the major problem, and I will come
30 to inequities in a minute.



1 A. You are suggesting, then, that the
2 word "major" should be in there instead of "only real"?

3 Q. Yes.

4 A. I myself can't see too much difference
5 between the two words.

6 Q. You can't?

7 A. No.

8 Q. Very well. And the reason why they
9 said it was a major problem was because by virtue of
10 the statute, it was a problem then which they could
11 do nothing about, did you know that?

12 A. Yes, I knew that; that was their
13 statement.

14 Q. You don't agree with it?

15 A. Not altogether, no.

16 Q. In what way don't you agree with it?

17 A. I think there are other problems so
18 far as railways are concerned.

19 Q. That they can't do anything about?

20 A. Well, I know that the distinction is
21 made between what they cannot do by statute and what
22 they do do by management decisions. As far as I
23 am concerned as a grain handler, I can't see too much
24 difference between them. Maybe you can, but I
25 can't.

26 Q. And you don't think that the ability
27 to adjust charges in relation to costs in one case,
28 and the complete lack of ability by statute to do it
29 in the other case is not a distinction of major impor-
30 tance?



1 A. No, I wouldn't say it is a distinction
2 of major importance.

3 Q. In your business do you adjust your
4 charges in relation to changing costs, Mr. Harrold?

5 A. In our business we are subject to
6 a maximum charge, the same as some other businesses are.

7 Q. Then, I will put my question again;
8 I am afraid you didn't hear it. Do you in your
9 business adjust to your charges in relation to changing
10 costs?

11 A. If you are referring particularly to
12 grain handling charges and storage charges, you will
13 find they haven't been changed too drastically in the
14 last twenty years.

15 Q. Can I come back again: Do you in your
16 business adjust your charges in relation to changing
17 costs?

18 A. And by "our business" you mean the
19 operation of an elevator system and not the shipping
20 of grain?

21 Q. In the operation of the business of
22 the Alberta Wheat Pool?

23 A. We change some of them, yes.

24 Q. Is there any element of your business
25 that you are prevented from applying or going to some
26 tribunal such as the Canadian Wheat Board or the
27 Board of Grain Commissioners to adjust charges when
28 you feel it is necessary because of increased costs?

29 A. We have to operate under a maximum
30 charge which is set by the Board of Grain Commissioners,



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(Sinclair)

1 but I don't think the parallel is the same as the one
2 we are setting out in our brief for the reasons
3 we have set forward here, that there are other
4 considerations that entered into any of these limitations
5 -- so called limitations.

6 Q. Well, we can deal with that at another
7 time, if necessary. My question is, is there
8 any part of your business, the Alberta Wheat Pool's
9 business, where you can't, if costs increase, go
10 to the tribunal, if they are regulated costs, and
11 ask for increased charges in relation to those costs?

12 A. Again I would say, if this is leading
13 up to a parallel between our position and the position
14 of the C.P.R., I would not agree it is in the same
15 bracket at all.

16 Q. Well, that is a question of argument,
17 and I am not here to argue this case at this time.
18 I can do that at another time. I am trying to get
19 some factual information from you which I think may
20 be of assistance to the Commission, and what use I may
21 make of it and what use your counsel may make of it
22 at a later time is a different matter. Now, can
23 I again ask the question: Is there any part of
24 the business of the Alberta Wheat Pool where you can't
25 increase or adjust your charges in relation to changed
26 costs?

27 A. Subject to the qualification that we
28 have to appear and make our case, we can adjust our
29 charges, yes. I wonder if I would be permitted to
30 add one sentence to that.



1 Q. I want you to have every opportunity
2 to do so, because I don't want in any way to have any
3 feeling ---

4 A. I would put it this way, that our
5 company didn't at any time sign a contract and receive
6 other considerations in which we suggested we would
7 never change our rates.

8 Q. I am glad you brought that up. Let
9 us discuss that for a minute. Your Alberta Wheat
10 Pool, so that we can simplify this we will put it
11 this way: Your Alberta Wheat Pool had 289 elevators
12 and it entered into a contract with the Government
13 of Alberta, and you signed that contract under which
14 you stated that you would purchase grain at those
15 289 elevators at a fixed fee. Some many years
16 later, and without getting your signature on any contract,
17 the Alberta Government passed a law which said at the
18 fee that was in the original contract the Alberta Wheat
19 Pool will, at the same fixed fee, handle grain or
20 purchase grain at 2869 of its elevators; in other
21 words, I have increased the number 1000 per cent --
22 ten times. As a result of that would you say
23 that you were handling grain at the 2869 elevators
24 under contract, or would you say that you were not
25 handling under contract?

26 MR. WOOD: I think, Mr. Chairman, this
27 is calling for rather a complicated answer.

28 THE CHAIRMAN: Well, there are involved
29 the other considerations that Mr. Harrold spoke of,
30 too.



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(Sinclair)

1 MR. WOOD: Oh, yes, but I feel, Mr. Chairman,
2 that perhaps -- and maybe I am anticipating Mr.
3 Sinclair -- that perhaps he is asking the witness for
4 some type of legal interpretation again.

5 THE CHAIRMAN: No, no; he can't do that.

6 MR. SINCLAIR: I asked a very straight
7 factual question.

8 THE CHAIRMAN: Well, put the question again,
9 Mr. Sinclair.

10 MR. FRAWLEY: Wherein lies the fact? He
11 is asking would Mr. Harrold regard such and such a
12 situation as an identical and similar situation. There
13 is no question of fact. He is just exploring some
14 hypothetical situation.

15 THE CHAIRMAN: Well, I wanted to get the
16 question to see whether we could judge if it was fact
17 or theory.

18 MR. SINCLAIR: Well, the witness suggested
19 to me that there was a difference in the position of
20 the Alberta Wheat Pool and that of Canadian Pacific
21 Railways in that it had signed and the Alberta Pool
22 had not signed a contract. I then thanked him
23 for bringing that to my attention, and through me to
24 the Commission, and then I said I would explore that
25 with him.

26 THE CHAIRMAN: Yes, I think you probably
27 might explore it further by referring to the fact that
28 the 289 represented what were the points on the
29 C.P.R.

30 MR. SINCLAIR: The ones covered by the



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(Sinclair)

1 agreement.

2 THE CHAIRMAN: Yes, and the later figure
3 was all points in 1925.

4 MR. SINCLAIR: All points on all lines of
5 railway.

6 MR. WOOD: Mr. Chairman, are you now referring
7 -- and this is the part I don't understand -- this is
8 a hypothetical situation.

9 THE CHAIRMAN: It is a hypothetical
10 situation where he is comparing -- the question, I
11 think, was a bit obscure, and now he is suggesting
12 that if the Alberta Pool had 289 elevators when it
13 started, and then increased that number to 2800, the
14 same as the number of points that were increased to
15 be served on all lines ---

16 MR. MAURO: And put in the little piece
17 where they were let off the hook on westbound
18 commodities.

19 MR. SINCLAIR: Well, we have had Mr. Wood
20 and Mr. Frawley and now we have Mr. Mauro.

21 THE CHAIRMAN: Well, does the witness
22 understand your question.

23 MR. SINCLAIR: With the assistance
24 he has now had, I am quite sure he is completely
25 confused.

26 MR. FRAWLEY: Mr. Sinclair should understand
27 that from the first day this Commission sits until
28 it closes its last session I am going to defend the
29 Crow's Nest Pass freight rates on behalf of the
30 Province of Alberta.



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(Sinclair)

1 THE CHAIRMAN: There has never been any
2 mistake about that. Well, Mr. Sinclair?

3 MR. SINCLAIR: Q. Mr. Harrold, I am
4 quite sure you and I could do a lot better outside?

5 A. I am not too sure.

6 THE CHAIRMAN: Just what do you mean by
7 that?

8 MR. SINCLAIR: Q. The question I asked
9 was this: If you entered into a contract with the
10 Province of Alberta to purchase grain on a fixed fee
11 basis at 289 elevators, and then later, many years
12 later, the Province of Alberta without getting your
13 signature to any document passed a law in which they
14 said that at ten times the number of elevators --
15 a one thousand per cent increase -- 2869 elevators,
16 you will handle grain at the same fixed fee basis,
17 would the Alberta Wheat Pool consider that they were
18 handling grain at those 2869 elevators on the basis
19 of a contract, or on the basis of a direction by law
20 and statute?

21 MR. WOOD: This, surely, is an interpretation.
22 That is what I suspected. It is a comment on a
23 legal opinion.

24 THE CHAIRMAN: Well, we will see what
25 Mr. Harrold says to it. If he says he is not a
26 lawyer, we can't do anything.

27 MR. SINCLAIR: Q. I don't think, after
28 the direction from the chairman that you need to
29 answer the question.

30 MR. FRAWLEY: Just because he is in the



Harrold, cr-ex.
(Sinclair)

1 courthouse, it doesn't mean he is a lawyer.

2 MR. SINCLAIR: Q. I don't think it is
3 necessary to answer the question. The record will
4 speak for itself.

5 On page 3 of your brief, Mr. Harrold, you say
6 this: "But the need for a transcontinental line
7 was considered an emergency where expediency rather
8 than careful planning ruled in decisions involving
9 finance." Having that in mind, would it be
10 the position of your organization and yourself, in view
11 of the consideration you have given to the problem,
12 to suggest that the Government of Canada under the
13 aegis of Sir John A. MacDonald and Minister Tupper,
14 when they negotiated the contract with the syndicate
15 for the building of the Canadian Pacific Railway,
16 did not do so after hard bargaining and having a
17 full appreciation of the considerations that they were
18 giving and the obligations they were securing; is
19 that your suggestion?

20 A. Our suggestion here is that there was
21 certainly discussion and bargaining at that time as
22 to the way the railway would go through, but I think
23 the results that have shown since then is that the
24 C.P.R. got as good a part of the bargain as the
25 Dominion Government, if not a better part.

26 Q. But you are suggesting that expediency
27 ruled the roost?

28 A. That is right.

29 Q. What makes you suggest that it did --
30 merely because of what has happened, or because you



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(Sinclair)

1 have some fact to indicate that they were not
2 considered -- all the elements that were available for
3 consideration -- a balancing of risks and obligations:
4 Risks assumed, obligations undertaken and considerations
5 flowing to secure the acceptance by the syndicate of
6 the risks and obligations? What makes you think
7 that there is anything other than that involved in
8 the situation?

9 A. Referring to these different books
10 we have from the history of what happened at that
11 time -- and I am quite sure you will appreciate
12 neither you nor I were there to judge the condition
13 at that time -- we have to rely on history; it was
14 suggested there was some need for haste, as we say
15 here, in getting the railway line into British
16 Columbia because of the fact there were other lines,
17 coming up from the United States, and we merely point
18 out the fact ---

19 Q. You say you say "in here" that it had
20 to do with the building of the Canadian Pacific in
21 1881 -- some railway lines coming up from the United
22 States. You see, I am now talking -- you were talking
23 in your brief not of the 1897 situation, but the
24 1881, and they are different situations.

25 A. Well, this is what happened before
26 1897.

27 Q. Your statement here is directed to the
28 situation existing in relation to the building of
29 the Canadian Pacific Railway -- the Transcontinental
30 Railway?



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(Sinclair)

1 A. That is right.

2 Q. And that is an entirely different
3 situation from the one we are going to deal with later,
4 and that is the Crow's Nest situation?

5 A. I think there is a parallel between
6 the situations.

7 Q. You would agree with me they are
8 different situations?

9 A. They are different in that one is 1897
10 and the other is 1881.

11 Q. And they are different in other aspects?

12 A. It could be.

13 Q. They are entirely different, as a matter
14 of fact?

15 MR. FRAWLEY: Is that a question or a
16 statement?

17 MR. SINCLAIR: If that question was not
18 proper, I would like ~~the Commission to so~~ rule.

19 THE CHAIRMAN: No, that question is all
20 right.

21 MR. FRAWLEY: As long as it was a question.

22 MR. SINCLAIR: Q. Did you have any
23 difficulty with that question?

24 A. Not with that particular question.

25 Q. Well, what is the answer.

26 THE CHAIRMAN: I think we will adjourn
27 now and probably there will be less interruption after
28 lunch.

29 MR. SINCLAIR: I hope so, sir, because
30 I must say I think it was entirely improper, and I cover



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(Sinclair)

1 a great deal of ground in that.

2 THE CHAIRMAN: Well, with eleven lawyers
3 here I think we have got along fairly well this
4 morning. We will adjourn now until 3:00 o'clock.

5
6 ---Luncheon adjournment.

7
8 THE CHAIRMAN: All right, Mr. Sinclair.

9 MR. SINCLAIR: Q. Mr. Harrold, just
10 before the adjournment we were discussing this question
11 that I raised with you concerning what you termed
12 expedience rather than careful planning ruled in
13 decisions involving finance, and that had relation
14 to the building of the Canadian Pacific Railway as
15 required under the admission of British Columbia into
16 Confederation. That is what you had in mind in that?

17 A. That's right, although there were, as
18 you mentioned before, there were two instances involved.
19 One was in the building of the Transcontinental line
20 and the other was the extension of it into the Crow's
21 Nest region.

22 Q. The way I put that to you, and I thought
23 we had agreed, is that those were separate and distinct
24 transactions?

25 A. They were separate, but I think the
26 same terms would apply as far as we are concerned.
27 There was some haste or urgency in both instances.

28 Q. Let's deal with the haste and urgency
29 you suggest with respect to 1881. The union of
30 British Columbia with the then formed parts of Canada



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1 was in 1871?

2 A. Could be. I will take your word for it.

3 Q. And from that time, indeed from before
4 that time, and up until 1880 when the contract with
5 the syndicate that later became the C.P.R. Company
6 as we know it today was made, there were numerous
7 attempts to make a contract for the building of the
8 Canadian Pacific Railway, or the railway to the
9 Pacific Coast, whichever you want to call it. You
10 knew that?

11 A. Yes. We had some knowledge of it.

12 Q. And, indeed, decisions involving
13 finance were the major considerations that were in
14 the minds of the Government when those negotiations
15 and attempted deals were being considered. Would
16 you not agree with that?

17 A. That finance was the major consideration?

18 Q. Yes?

19 A. Well, it was one of the considerations.

20 Q. A major consideration, Mr. Harrold?

21 A. It could be, but it wasn't the only
22 consideration.

23 Q. Well, the other consideration was having
24 people substantial enough, resourceful enough, and
25 willing to take the risk of building a railway through
26 what was then the wilderness of western Canada. That
27 was another consideration, wasn't it?

28 A. Yes, it could be another consideration,
29 sure. They are almost the same, though.

30 Q. And, indeed, the policy of the Government



1 was to try to get private capital to accept the risks
2 in exchange for lands, rather than advancing money;
3 you knew that?

4 A. That had something to do with it, yes.

5 Q. Indeed, in 1872, 35 Victoria, Chapter
6 71, an Act was passed for a grant concerning the
7 railway to the Pacific involving 50 million acres.

8 Did you know that?

9 A. I am not familiar with that particular
10 one you are speaking of, no.

11 Q. Well, the Sir Hugh Allen syndicate,
12 which resulted in a charter which was later surrendered,
13 contained a grant of 30 million of dollars and 50
14 millions of acres of land. And that is recorded
15 in the sessional papers of November 13, 1873. Did
16 you know that?

17 A. I'll take your word for it again.

18 Q. And, in 1879, there was appropriated
19 100 million acres of land to be used to aid the
20 construction of this Pacific Railway. Did you know
21 that?

22 A. I am not quite as familiar with all of
23 the particular references that you are making. They
24 don't happen to be in our brief here, but I will assume
25 them to be correct, Mr. Sinclair.

26 Q. I have given you the sources of them.

27 A. Yes.

28 Q. I think if you will study the suggestions
29 and papers of Sir John A. MacDonald in regard to the
30 negotiations for the C.P.R., if you look at this



1 correspondence of Sir John A. MacDonald, you will find,
2 I think, and I am sure that you and your advisers must
3 have looked at it, that what was involved was
4 attempting to secure less money and more land on the
5 part of the Government. Would you not agree with
6 that?

7 A. Attempting to secure more land and less
8 money?

9 Q. Attempting to secure from the syndicate
10 an acceptance of less money and more land as consideration
11 for the obligation the syndicates were to assume in
12 building the railway?

13 A. That is possible. I am not familiar
14 with those particular negotiations that you are
15 talking about.

16 Q. And, indeed, the grants of land in
17 considerations of the obligations undertaken are
18 expressed to be so many acres and all the minerals
19 they contained?

20 A. Yes.

21 Q. Now, when a contract is made in
22 consideration of obligations assumed, and the obligations
23 are discharged, then the considerations moving from
24 one party to another become the property of that
25 second party; don't they, Mr. Harrold?

26 A. Well, it all depends on what was in the
27 contract.

28 Q. Yes. And if the contract was held
29 to have been honourably discharged in regard to the
30 building of the Canadian Pacific by the Canadian Pacific,



1 you would not disagree with that, would you?

2 A. Well, you're asking a question there
3 that has certainly more ramifications than just
4 simply a Yes or No.

5 Q. Well, I am not trying to prevent you
6 from answering as fully as you feel is necessary.

7 A. Well, certainly in consideration of
8 building a railway, when a grant of land is made the
9 value of the land at that particular time is not the
10 only consideration that is --- in other words, putting
11 a sum of money on it at that particular time certainly
12 would not be the only consideration in accepting
13 a grant of land.

14 Q. Of course not. Of course not. But
15 that is what it would be worth to the party who was
16 conveying it, wouldn't it?

17 A. If you put it another way, merely
18 because they built the railway there was some obligation
19 to continue operating the railway, as well as the
20 obligations on the other side. In other words,
21 it was a continuing of the obligation to both parties,
22 I would say.

23 Q. But my question to you was this: That
24 if the contract was honourably discharged by the
25 Canadian Pacific Railway, then the considerations in
26 money and in land that moved to the company would be
27 their absolute property.

28 A. Well, maybe we would part on the basis
29 of when the contract was finished or honourably
30 discharged, as you put it, as far as the two parties



1 were concerned.

2 Q. Well, you would agree, would you not,
3 Mr. Harrold, that as far as you know the company,
4 Canadian Pacific, has continued to live up to the
5 contract it has made with the Dominion for the building
6 and operation of the Canadian Pacific Railway?

7 A. As far as I know, yes, in consideration
8 of the national policy as laid out at that time, and
9 considerations that were given, it has lived up to the
10 contract as far as I know.

11 Q. You have read the contract, I am sure.
12 Do you see the phrase in there "national policy", or
13 phrases such as that? The obligations of the
14 Canadian Pacific are delineated.

15 A. That's right.

16 Q. So what you are saying here is that
17 this question as to whether the lands that the company
18 may have received are to be used for purposes other
19 than the purposes of the company once they were earned
20 is a question of interpretation of the contract?

21 A. Well, if it comes to an interpretation
22 of the contract, I don't think we have gone into
23 that in this brief.

24 Q. I am asking you -- that is what you are
25 saying, is it, that it is a question of interpretation
26 of the contract?

27 A. If you would give me a more specific
28 instance of what you are asking in a contract or in the
29 terms of the contract, I might be able to answer the
30 question.



1 Q. Let me put it this way, then, Mr.

2 Harrold. It would be a question of law as to
3 whether the lands acquired by the company under its
4 contract of 1880, as it was ratified and approved
5 by the statutes, Chapter 1, 44 Victoria -- that is
6 the 1881 statutes -- it would be a matter of law
7 as to whether the lands under that contract, once
8 they had been earned by the company, were their
9 absolute property, or whether they were to be taken
10 into account in regard to freight rates? Would
11 you agree with that? Is that your position?

12 A. That it would have to be specified in the
13 contract?

14 Q. Yes?

15 A. As to whether they would influence
16 freight rates in the future?

17 Q. That's right.

18 A. Well, it may be a legal interpretation
19 that is necessary in order to decide what the contract
20 said, but I think there is no doubt about it, that
21 the overall position was that we had a national policy
22 that encouraged the building of the railway at that
23 particular time.

24 Q. And the terms and conditions upon which
25 the railways were built, and what was to flow one from
26 the other, were set out in the contract and whatever
27 the intentions were, the contract is there?

28 A. Could be.

29 Q. You would agree with that?

30 A. Could be.



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1 Q. Well, I don't like to press you, Mr.
2 Harrold, but I once gave an answer to a learned Judge,
3 "Quite so", and he asked me what it meant.

4 Now, I am going to ask you what "could be"
5 means. Does it mean Yes or No?

6 A. Well, I haven't got the particular
7 passages that you are referring to in front of me in
8 the brief. And you are asking me to agree with
9 a question without showing me what you have particular
10 reference to.

11 Q. Well, I am going to ask you, as a man
12 who has had some experience in business, to answer
13 this question. Whatever your intentions may be,
14 or whatever somebody else's intentions may be, once
15 you enter into a contract it is the contract that you
16 look at after that?

17 A. That's right. I will agree with that,
18 sure.

19 Q. And that would apply to the Canadian
20 Pacific just as much as it would apply to Alberta Wheat
21 Pool?

22 A. It would apply to any company that had
23 a contract, yes.

24 Q. Now, Mr. Harrold, on page 4 of your
25 brief, you make reference to the fact that the agreement
26 of 1897 -- that is, the Crow's Nest Agreement -- and
27 you say it is a part of a policy having the single
28 aim of achieving nationhood.

29 And you made reference to the Royal Commission
30 on Dominion-Provincial Relations, 1939, and the Royal



1 Commission -- the first Turgeon Commission -- of 1951.

2 Could you give me the page references where
3 they take the position that this was a part of a policy
4 having the single aim of achieving nationhood?

5 THE CHAIRMAN: Mr. Wood will give us that.

6 THE WITNESS: Now, will you give me the
7 reference on page 4, again, that you are referring to?

8 MR. SINCLAIR: Paragraph 9, line 7.

9 MR. WOOD: It is marked in there, Mr.
10 Chairman.

11 THE WITNESS: Yes, right.

12 THE CHAIRMAN: Mr. Sinclair wants you to read
13 that, Mr. Harrold.

14 MR. SINCLAIR: Q. I want you to read
15 to the part of the Rowell-Sirois that says the agreement
16 of 1897 was the part of a policy having the single
17 aim of achieving nationhood. And after you have
18 done that, the same thing out of the Turgeon Report,
19 1951.

20 A. You want me to read the whole paragraph?

21 Q. Whatever you had in mind to support
22 that sentence?

23 A. This is on page 71 of the Rowell-Sirois
24 Commission:

25 "The provision of national transportation
26 facilities was but one aspect of Dominion
27 railway policy. To attain the objectives
28 of that costly policy it was necessary to
29 secure a level of rates which would counteract
30 the north-south pull of geography and of



possible alternative routes and draw traffic from the east-west lines instead. Hence the Dominion played an important part in shaping the railway rate structure (by legislation and by rulings of the railway committee of Privy Council and later the Board of Railway Commissioners). The nature and extent of its intervention were fixed by its determination to encourage inter-regional traffic and all-Canadian transportation."

"The objectives of the Dominion appear clearly in the Crow's Nest Pass Agreement of 1897. Under this agreement, the Canadian Pacific Railway, in return for a subsidy for the construction of the Crow's Nest Pass line, undertook to reduce rates on grain and flour moving from the prairies to the head of the Lakes by 3 cents per 100 pounds and to reduce the rates on a considerable list of settlers' household and building supplies moving westward from Fort William and points east by 10 per cent. In the Manitoba-Canadian Northern Agreement of 1901, the railway company, in consideration of a provincial guarantee of its bonds and the lease of the Northern Pacific line in Manitoba, agreed to reduce its tolls on grain from points in Manitoba to Fort William and Port Arthur by 4 cents per 100 pounds or



1 to reduce all other rates to and from the
2 head of the Lakes by about 15 per cent."

3 Q. That is part of the Rowell-Sirois,
4 the Dominion-Provincial Royal Commission of 1939 you
5 have reference to?

6 A. Yes.

7 Q. Yes?

8 A. And the first line there: "The
9 provision of national transportation facilities was
10 but one aspect of Dominion-Railway policy."

11 Now, the other one is at page 247 of the
12 Turgeon Report:

13 "These various freight rate provisions
14 of the Agreement of 1897, taken together, were looked
15 upon by Parliament as constituting a measure of
16 great and lasting importance. They were said to
17 be 'at once the announcement and the commencement
18 of a new national policy'. It was pointed out,
19 in respect to the Crow's Nest Pass rates, that their
20 primary intention was to relieve the people then in the
21 west of a grievous burden, with the further expectation
22 that they would induce a great increase in the
23 population of the prairies and the development of an
24 industry which it was in the interests of all Canada
25 to foster."

26 Q. Yes?

27 A. There is one more paragraph. Do you
28 want it read?

29 Q. If you wish to.

30 A. "The only serious criticism which this



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1 announced policy received was that it did not take
2 enough from the company to compensate for the valuable
3 monopoly which the company was receiving and that
4 the reduction of 3 cents per 100 pounds on grain and
5 flour was too small in comparison with the lower
6 rate then being negotiated by the Government of
7 Manitoba with another railway company. This is the
8 lower rate which became effective upon the completion
9 of the other line in 1903 and which caused the
10 Canadian Pacific Railway Company to reduce its
11 Crow's Nest Pass rates in order to meet the competition."

12 Q. That is what you had in mind by saying
13 that this was part of a policy having the single aim
14 of achieving nationhood?

15 A. Yes, that's right.

16 Q. Thank you, Mr. Harrold. And your view
17 is, Mr. Harrold, that the agreement of 1881 and the
18 agreement of 1897 were, I think you said to one of
19 my friends, inter-woven?

20 A. That's right.

21 Q. Inter-woven?

22 A. They were inter-woven, or very similar
23 in intent.

24 Q. They were similar in intent. And the
25 agreement of 1897, you think, had a single aim of
26 achieving nationhood by directing that rates would
27 be reduced -- only grain rates -- only to the Lake Head?

28 A. Well, that seemed to be the intention
29 at the time, but it didn't deal, as you know, only
30 with grain rates; it dealt with other commodities.



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1 Q. But insofar as the grain rates are
2 concerned, you think that it was achieving nationhood
3 by directing fixed rates on grain to the Lakehead alone?

4 MR. FRAWLEY: There was no Vancouver harbour
5 in those days; I think that should go in.

6 MR. SINCLAIR: If Mr. Frawley doesn't know
7 that Vancouver didn't exist as a harbour in 1897, I am
8 surprised.

9 MR. FRAWLEY: I don't think there were
10 any grain terminals there.

11 MR. SINCLAIR: Maybe my friend knows a lot
12 more than some people, and maybe he doesn't.

13 Q. I am asking you the question and I should
14 pay no attention to these interruptions; I should just
15 listen to you.

16 A. Right.

17 Q. Thank you.

18 A. At that particular time the grain moving
19 was entirely to the east and to Fort William, at that
20 particular time.

21 Q. Entirely?

22 A. As far as western Canada was concerned,
23 yes.

24 Q. So that under this agreement of 1897, if
25 it had remained in force, then the grain would have
26 continued to be forced into the eastern Lakehead export
27 position?

28 A. That is supposing that the rate the other
29 way was set at some other figure, yes; it would force
30 more grain through Fort William.



1 Q. Well, Mr. Harrold, I wonder if you
2 could assist the Commission in this; if as a result
3 of adjustments to costs and the considerations that
4 have developed over the years, there was a different
5 and higher rate westbound through Vancouver for export
6 grain than there was for an equidistant mileage
7 eastbound to the Head of the Lakes, can you think of
8 any single act that would be a greater disturbance
9 to the orderly marketing of Alberta grain?

10 A. Could have a greater disturbance?

11 Q. To the orderly marketing of Alberta grain?

12 A. Well, there was a long period when the
13 grain movement was entirely through Fort William and
14 Port Arthur, and it wasn't until 1930 that it began
15 moving -- it was around the 30's -- it began moving
16 in any volume through Vancouver.

17 Q. Yes. Now, taking the situation as
18 the marketing pattern has been built up, I am asking
19 you the question -- thinking of your operation where
20 the grain from your Alberta pools does move to export
21 positions -- my question is, do you know of a single
22 act that would have a greater disturbance on the
23 orderly marketing of Alberta's grain today than the
24 difference in the rates equidistant, Vancouver
25 versus the Lakehead?

26 A. Certainly there would be a disturbance
27 in the pattern, but in later years wasn't the movement
28 so changed there was an adjustment made?

29 Q. In other words, the agreement provision
30 did no longer apply?



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1 A. I didn't say that; I would say there
2 was an adjustment made.

3 Q. An adjustment was made by whom?

4 A. In 1925.

5 Q. By whom?

6 A. And again in 1927 by the Board of
7 Railway Commissioners, at that time.

8 Q. I suggest to you, Mr. Harrold, they
9 were all done together; it was in 1925, and in 1927
10 that matter was an outgrowth of the legislation that
11 was changed in 1925?

12 A. That is right.

13 Q. So, it was the Government of Canada, or
14 the statute, that changed the situation; correct?

15 A. Yes, correct.

16 Q. Now, Mr. Harrold, one of the points that
17 you have mentioned -- on page 9, for instance, and I
18 think in other places, and at page 9 just about at
19 the end of your paragraph 19, you refer to the railway
20 monopoly arising from the Crow's Nest Agreement.

21 Now, you quoted, you attached as an appendix
22 to your submission, the Crow's Nest Agreement, did you
23 not?

24 A. Yes.

25 Q. The Act of which the agreement is a
26 part, and in that you will agree there is specific
27 provision which can compel the Canadian Pacific to
28 grant running rights to other railways over the Crow's
29 Nest line?

30 A. Yes.



1 Q. How can you have a monopoly when
2 the Government reserves on to itself the right to order
3 the Canadian Pacific Railway to give running rights
4 over this line to other railway companies?

5 A. As a matter of practice, running rights
6 are not used exclusively or, at least, in large
7 volume over the other competing railways.

8 Q. But the Government was specifically
9 putting this in so there would be no monopoly, weren't
10 they?

11 A. The fact remains that as far as southern
12 Alberta is concerned, and that part of British Columbia,
13 the rail lines are entirely Canadian Pacific, isn't
14 that so?

15 Q. The Canadian rail lines?

16 A. Yes.

17 Q. There are American lines that have been
18 up there, and some of them were abandoned later and
19 some are still there?

20 A. Yes, as far as the Canadian lines are
21 concerned.

22 Q. What you are saying is that there has
23 developed the fact that only one railway has served
24 this area, but that is not saying that the agreement
25 created a monopoly. Would you not agree with me
26 that possibly the reason that Canadian Pacific is
27 the only railway down there is that it has provided
28 satisfactory service and has moved efficiently the
29 traffic in that area?

30 A. We have no knowledge of any complaints



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1 from that particular area.

2 Q. When you said that this was a monopoly,
3 had you overlooked this provision in the agreement?

4 THE CHAIRMAN: Well, Mr. Sinclair, I think
5 in fairness to the witness that he is quoting there
6 from the finding of the Turgeon Commission.

7 THE WITNESS: That is right.

8 MR. FRAWLEY: The very words from page
9 240 of the Turgeon Report.

10 MR. SINCLAIR: That is right. That doesn't
11 say that everything ---

12 THE CHAIRMAN: That it was right.

13 MR. SINCLAIR: No.

14 Q. You had overlooked this provision, had
15 you, or had you just happened to take this and that
16 was your authority without checking the agreement?

17 A. We checked the agreement; we were
18 using here a reference in the Turgeon Commission which
19 said that.

20 Q. And that was your source?

21 A. Yes.

22 Q. Would you agree with this statement from
23 the Turgeon Commission Report, "None of those who
24 oppose repeal" -- it is the repeal they are talking about,
25 as you know ---

26 MR. FRAWLEY: What is the page?

27 MR. SINCLAIR: It is page 250.

28 Q. I was going to give you this after I
29 had read it, but if you have it I will read part of the
30 paragraph immediately following the indent in this part



1 of the Turgeon Commission Report, and throughout their
2 section on the Crow's Nest Pass they were discussing
3 a proposal that the Crow's Nest Pass rates be taken
4 out of the control of Parliament and put under the
5 Board of Transport Commissioners, and would move up and
6 down, and the farmers be charged whatever the Board
7 of Transport Commissioners would allow. In other words,
8 that there was to be no protection to the farmer in the
9 movement of his grain other than what might be arising
10 from the cost of transportation, and I was going to add,
11 the cost of transportation to yourself, irrespective
12 of any other considerations; do you know that?

13 A. Yes.

14 Q. And then they say this -- you say that
15 a number of people were opposed to that proposal?

16 A. I understand they were.

17 Q. And there were some people that supported
18 it?

19 A. Yes.

20 Q. Quite a few that supported it, and their
21 names are listed in here.

22 Then they go on to say, "It cannot be said,
23 and nobody has asked that it should be said, that their
24 present level must never be changed. None of those
25 who opposed repeal" -- and that would include the
26 Alberta Wheat Pool, wouldn't it, at that time? I
27 think they are listed. It says over on page 248
28 that the Alberta Wheat Pool was one of them -- "those
29 who opposed repeal (including Alberta Wheat Pool) have
30 asked for no more than that Parliament's control should



1 continue and that Parliament itself should make what-
2 ever changes in these rates, upward or downward, it
3 may appear just and reasonable to make as time goes
4 on."

5 Do you agree with that?

6 A. Yes, I think we will agree with that.

7 Q. You agree with it today?

8 A. Yes.

9 Q. Now, Mr. Harrold, can you tell the
10 Commission, please, how the farmers of Alberta would
11 be hurt if their existing grain rates as they exist
12 today, exactly, were continued at a fixed level under
13 the control of Parliament, and any difference between
14 the level of the rates that Parliament may fix and
15 what would be a just and reasonable level of compensation
16 for the services performed, would become an obligation,
17 the difference between the statutory rates and what
18 might be determined to be a just and reasonable level
19 of compensation for the work performed, that it should
20 become an obligation of the Canadian people as a whole?

21 A. At the immediate time or in the particular
22 year in which that change was made, they might not have
23 any additional freight to pay, but if it became an
24 issue every year or every second year and a subsidy
25 was pinpointed as being an obligation or was attached
26 to the grain producer, there would certainly be some
27 suggestion that in the future it might not be
28 continued.

29 Q. So, Mr. Harrold, and I know that you have
30 given a lot of thought to this and I am very anxious to



1 get your thinking on it; say that it wasn't ~~said to be~~
2 an obligation of the whole Canadian people and directed
3 towards the maintenance of the western grain economy
4 to offset nationalistic policies in other countries
5 that place burdens and difficulties upon the free export
6 and sale of grain, but that instead of that it was
7 said, "we are going to pay it to the railways," then
8 would you each year have to come back, or every two
9 years or every five years, whatever might be fixed to
10 come back; do you think that the railways would be in
11 a better position to make out a case for the continu-
12 ance of the amount of money involved better than would
13 the representatives of the western Canadian farmers?

14 A. Well, certainly as far as costs and
15 so on are concerned, the railways are in a much better
16 position to decide their own costs.

17 Q. Say that the railways made the facts
18 available to the Government, as they would be required
19 to do by statute, and the question came up as to
20 whether a payment from the Government for the difference
21 in the fixed level and a just and reasonable level of
22 compensation for the services performed should come
23 in issue, my question is how do you think that the
24 railways would be able to better present a case for
25 the continuation of this national assistance to the
26 grain growing economy, than would the representatives
27 of the western Canadian farmer?

28 A. Your question is, how would the railways
29 be better able to?

30 Q. Yes.



1 A. Well, I would suggest this; as far as
2 pinpointing any one operation and suggesting that there
3 should be a subsidy paid for that and that alone, we
4 don't agree with that position; we believe there are
5 other areas that if they railways are definitely in
6 need of more revenue, that they should be explored as
7 well as this one.

8 Q. Let me just ask you this one question.

9 A. If you will make it a little shorter
10 I will be able to answer it.

11 Q. Let me put it as bluntly as this. Do
12 you today think that the railway industry are listened
13 to, the railway industry are listened to with the
14 same degree of attention by the national Government
15 as are the farming communities of western Canada?

16 A. You are asking my opinion as to whether
17 they are listened to?

18 Q. Yes. You have had experience, too.

19 Q. I would say this; I think that question
20 would be better to be directed to the Government. You
21 are just asking for an opinion.

22 Q. I am asking for an experienced opinion.

23 A. Maybe I don't qualify as an experienced
24 opinion, but I would say that the Government would give
25 equal weight to the representations of the railways
26 as they would to other interests.

27 Q. Has that been your experience when the
28 grain interests were involved?

29 A. I think so.

30 Q. You do think that?



1 A. Yes.

2 Q. When were you last down in Ottawa?

3 A. On what ---

4 Q. On any matter involving railway charges?

5 A. Involving railway charges?

6 Q. Yes.

7 A. Oh, it would go back to last summer
8 some time.

9 Q. Were the grain interests listened to
10 attentively at that time?

11 A. I think the grain interests at that
12 time had a good case.

13 Q. Well, do you ---

14 A. And may have been listened to.

15 Q. Now, do we have to fence about this?
16 The fact is you were listened to, isn't that correct?

17 A. If you would state a specific case, why,
18 then ---

19 Q. I think that you and I are very conscious
20 of what we are talking about, are we not?

21 A. I will agree.

22 Q. Then, let me ask you this ---

23 A. But I wouldn't agree that the Government
24 listens to the western representatives or the grain
25 interests in any degree more partially than they do
26 the other interests.

27 Q. Would they not think that the grain
28 interests in western Canada could speak more authorita-
29 tively on the need for maintenance of a rate for the
30 western Canadian farm economy? Do you not think that



1 the grain interests such as yourself could speak more
2 authoritatively on that matter than could the railways?

3 A. Well, I wouldn't say that they -- what
4 the opinion of Parliament would be or what the opinion
5 of the Government would be, that the grain interests
6 could any more speak effectively than the railways are.

7 Q. Let me say this, that there are
8 representatives of the various organizations who have
9 on occasion, on more than one occasion, and I think on
10 pretty near every occasion, who have been part of
11 the council of the Government in regard to the sale
12 of this very, very important export, the grain crop;
13 that is right, isn't it?

14 A. Part of the council of the Government?

15 Q. Yes.

16 A. Possibly in an advisory capacity.

17 Q. Oh yes, and the Government quite rightly,
18 I think you will agree, consulted with the western
19 grain interests concerning this entire question of
20 marketing?

21 A. That is right.

22 Q. And those western grain interests, of
23 which you are a member, keep up to date and have a
24 staff keeping up to date with this whole question of
25 the export grain situation?

26 A. That is right.

27 Q. Mr. Harrold, do you not believe that the
28 Alberta Wheat Pool today and the Canadian Pacific
29 Railway are both striving for the same common goal,
30 which is to have people recognize that the situation



1 in the export grain marketing is such that now and in
2 the foreseeable future the farmers cannot afford to pay
3 any additional charges on the movement of their grain
4 to export positions? Don't you think that is the
5 common objective of both the Alberta Pool and the
6 Canadian Pacific?

7 A. I don't know if it is the common objective.
8 I think it has been stated on several occasions that
9 that is the opinion of both parties.

10 Q. Mr. Harrold, as an experienced member
11 of the western grain export industry, how long do you
12 think the western farmers can maintain freight rates
13 at their present level against the inexorable march
14 of inflation if something is not done by the people
15 of Canada as a whole to take care of this problem
16 of rising costs for the movement of grain? How long
17 do you think they can withstand ---

18 A. The western farmers withstand?

19 Q. Yes, how long can they withstand the
20 effect of this inexorable march of inflation which has
21 gone on in this country, and which I think you will
22 agree shows no sign of abatement? How long do you
23 think the western farmer can withstand the inexorable
24 march of this inflation and its effect on costs and
25 maintain the existing level of grain rates unless
26 something is done by the people of Canada to recognize
27 the need for some action?

28 A. Well, it is not the western farmer that
29 has maintained the grain rates. There have been
30 grain rates, which we are discussing here, that have



1 been maintained at the same level. So, in putting
2 your question as to how long the western farmers can
3 maintain them, I don't see how I can answer that.

4 Q. Do you know of anybody else but the
5 western farm people who have fought for these grain
6 rates at this level up until the present time where
7 the railways are allied with them in that regard?

8 A. Oh, I think there are a number of people
9 that have agreed that these rates should remain as
10 they are.

11 Q. I say, who have fought to maintain these
12 rates, other than at the present time? As you know,
13 the railways are in the same camp as the people who
14 say they should remain?

15 A. Yes, I think there are other people who
16 agree.

17 Q. And fought for that?

18 A. Yes.

19 Q. Would you name me some?

20 A. Some of our western members in Parliament.

21 Q. Oh well, of course. I mean outside
22 of western people -- I am sorry. Outside of western
23 people -- members of Parliament, yes; the grain
24 industry, yes.

25 MR. FRAWLEY: The Provincial Government.

26 THE WITNESS: You are saying outside of
27 western interests entirely?

28 MR. SINCLAIR: Q. Yes.

29 A. Well, I think there have been other
30 people who have agreed that these are rates that should



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1 be maintained in the national interest.

2 Q. Can you name some?

3 A. Not particularly right offhand.

4 Q. Would you like to think about it for
5 a few minutes?

6 A. Yes, and I will send you a letter.

7 Q. I don't want to wait for letters. I
8 would like to get it down now, and if you would think
9 of them ---

10 A. No, I can't think of them offhand.

11 MR. FRAWLEY: Page 238 of the Turgeon Report
12 lists the people who favour the retention of the
13 statutory control of rates, and I notice the provinces
14 of Alberta, Saskatchewan, Manitoba and New Brunswick
15 are joined together.

16 THE WITNESS: Thank you, Mr. Frawley.

17 MR. SINCLAIR: There is one to help you out.

18 MR. FRAWLEY: The Canadian Congress of
19 Labour.

20 THE CHAIRMAN: I think there will be a few,
21 probably.

22 MR. SINCLAIR: Well, that is fine.

23 Q. Do you think you could find a few more
24 in the light of the proposition that is now being
25 advanced for the handling of this situation?

26 A. I wouldn't know. I would not pass
27 an opinion on that until I canvassed a few of them.

28 Q. Have you canvassed any?

29 A. No.

30 Q. Do you know of any that have come forward?

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1 A. Not to my particular knowledge, I don't.

2 Q. I have a note here, and I think possibly
3 we have agreed on this, but just to make certain: When
4 Mr. Dickson, who represents the Northwest Line Elevators,
5 your competitor ---

6 MR. DICKSON: Friendly competitor.

7 MR. SINCLAIR: Always friendly competitors.

8 THE WITNESS: Just like the C.N. and the C.P.

9 MR. SINCLAIR: Oh well, that is a little
10 different. We are harsh competitors.

11 Q. However, friendly, harsh competitors:
12 Mr. Dickson asked you certain questions concerning
13 the intentions of the Government when the amendments
14 were made to the Railway Act, and you referred to
15 several extracts from Hansard and he also referred
16 to a conflicting view to those you had used, and I think
17 you said that was one that you acknowledged. However,
18 whatever may be said as to the intentions, I think we
19 agreed that you must look at the factual situation
20 as it has evolved?

21 A. Yes, I agree with that.

22 Q. I think, again, this friendly competitor
23 of yours asked you a question about branch lines and
24 abandonments, and you suggested a five year waiting
25 period after the decision?

26 A. Yes.

27 Q. As a maximum -- I think to be fair, you
28 said -- and I am trying to be fair to you; I don't
29 think this is fair at all, but I want to be fair to
30 you -- you did say in some circumstances such a lengthy



1 period would not be necessary -- or, such a period would
2 not be necessary?

3 A. I think I qualified that by saying five
4 or ten years.

5 Q. Did you say five or ten -- I am sorry;
6 I thought it was five. If, after it was decided
7 a branch line was not necessary, if it was not to
8 be abandoned for a period of, say, five or ten years,
9 what do you think would be done about maintaining
10 that branch line when it was determined that it was
11 no longer required?

12 A. On the part of the railways of maintaining
13 it?

14 Q. Yes.

15 A. I would assume that they would not spend
16 as much money on it as if they were going to keep on
17 using it. Certainly, that is the way we operate
18 in our country elevator system.

19 Q. They would reduce maintenance to a
20 minimum level?

21 A. Yes.

22 Q. And even at that minimum level, if the
23 branch line continued to lose money, then what? Mind
24 you, the decision has been made it is not required?

25 A. Well, we have the same situation as far
26 as our elevator system is concerned, and we continue
27 them, if it is agreed that a proper procedure is
28 followed, and that the proper notice has been given --
29 it could be continued for a period even though it was
30 losing money.



1 Q. Well, let me suggest to you that, say,
2 what would be involved would be some 2800 miles of
3 track on Canadian Pacific in western Canada; that is,
4 there is 2800 miles of track in western Canada, we will
5 say, that has 75 per cent or more -- and it is more
6 than 75 per cent on the average -- solely related
7 to grain, and that this branch is losing money at
8 existing rates; so, what happens is these applications,
9 then, faced with this situation of not being able to
10 make money, were, serriatum, laid before the Board, and
11 we have got 2800 miles of track on the Canadian Pacific,
12 and because of the situation that exists -- solely
13 related to grain ---

14 A. I presume they are not all in western
15 Canada?

16 Q. I am talking about 2800 miles solely
17 related to grain in western Canada, yes.

18 THE CHAIRMAN: And you are assuming they
19 are all to be abandoned at once?

20 MR. SINCLAIR: Q. I am assuming something
21 has got to be done about the problem involved in the
22 solely related to grain branch lines.

23 A. Well, I can't go as far as to agree with
24 you that there are 2800 miles of branch lines solely
25 related to grain until I see further evidence.

26 Q. There has been that evidence presented
27 to this Commission, and you know about that?

28 A. I know it has been presented.

29 Q. But you have not studied it?

30 A. We are not preparing to answer questions



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1 until later.

2 MR. FRAWLEY: It has been presented in
3 chief.

4 MR. SINCLAIR: Q. And, for the assistance
5 of your counsel and the assistance of the counsel
6 who has just spoken, a great long delay of that cross-
7 examination for further inquiry, and detailed inquiry,
8 was directed by the Commission, and it is not going
9 to take place for some months even from now?

10 A. That is right.

11 Q. But, let me take this, then: Just assume
12 with me, if you will -- assume with me ---

13 A. Well, we don't want to assume too much
14 here, Mr. Sinclair.

15 Q. All right. Assume with me, if you
16 will, that there was a substantial -- and by that I
17 mean some thousands of miles; that would mean anything
18 from 2000 up -- of railway branches in western Canada
19 that were solely related to grain and were uneconomic
20 in the light of the present freight rate on grain:
21 Now, in the light of that, what do you suggest should
22 be done?

23 A. Well, I would say this again, that as
24 far as the branch line problem is concerned, we were
25 not prepared to state our position at this time until
26 we had a further opportunity to look at it, but we
27 are certainly on record as suggesting that the branch
28 line problem is one that should be looked into as well
29 as other problems, if there is a deficit position
30 there.



1 Q. Well, is that a deficit position, as I
2 put it to you, of the branch line, or is it a deficit
3 position of the branch line caused by a condition?
4 When you say "look into the branch line problem", do
5 you mean look at the cause as well as the fact?

6 A. Look at it in the light of national
7 policy. If it is agreed it should be continued
8 in the light of national policy, I think the railways
9 should have some relief for it.

10 Q. Let me suggest to you that of these
11 thousands of miles of branch lines -- some thousands --
12 that 75 per cent or more on the average of the traffic
13 moving over them is grain. Do you consider that
14 to be a branch line problem or a grain branch line
15 problem?

16 A. Well, I think it is a branch line problem
17 because there are other freight available in that
18 particular area, and whereas your statement -- and
19 I will accept it -- that 75 per cent of the traffic
20 is grain at this particular time, certainly there is
21 traffic that originates in that area other than grain.

22 Q. And the full credit for anything made
23 on that traffic should be, certainly, applied to the
24 branch line; I would agree with that. Is that
25 what you have in mind -- that whatever revenues other
26 traffic has made, it should certainly be credited?

27 A. Yes.

28 Q. And, that being done, and still the some
29 thousands of miles of branch lines are in a deficit
30 position, wouldn't you agree that what you have there



1 is a grain transportation problem?

2 A. Well, in looking at the branch line
3 problem and whether it is entirely a grain problem,
4 there are other factors that have to be considered,
5 and I am sure you will be the first one to recognize
6 it, in that what value is the branch line in supplying
7 traffic for the main line, and so on. As I have
8 stated, that particular problem does not happen to be
9 in our brief, and we were not prepared to discuss it
10 at this time.

11 Q. Isn't it a bit of dialectics to monkey
12 around with words in the sense that the movement of
13 grain is a problem but the movement of grain over a
14 branch line is not a grain problem but a branch line
15 problem, and that the movement of grain is ---

16 A. Well, I put it this way: If you are
17 suggesting that I have been monkeying around with words,
18 I would say I don't think I am doing so any more than
19 you are.

20 Q. Well, I am not trying to do it.

21 MR. FRAWLEY: It just comes naturally.

22 THE CHAIRMAN: Well, I think Mr. Harrold
23 has indicated that they are going to present their
24 views on this subject in Ottawa with the main case.

25 MR. SINCLAIR: Well sir, I must say that
26 he was very quick to answer my friend -- his friendly
27 competitors on the provincial side -- who all are in
28 the same pot here, if I may put it that way.

29 MR. MAURO: We are all seeking justice.
30



1 MR. SINCLAIR: I hope they get it so that
2 they will not be so anxious to seek it again.

3 THE CHAIRMAN: I don't want to cut off your
4 cross-examination, but I am simply suggesting that the
5 witness may not be ready to answer some of those
6 questions.

7 MR. SINCLAIR: Well, then, maybe we are
8 going to have the advantage of having him down in
9 Ottawa and ask him some questions.

10 Q. Is that what you are saying?

11 A. It might be possible.

12 Q. Well, I have found myself in that position
13 -- are you going to explain this situation at a later
14 date?

15 A. I would say, as you know, our case is
16 being handled on a joint basis, and we are prepared
17 to discuss the branch line problem at that time.
18 Whether I will be the witness or somebody else, I don't
19 know.

20 Q. Are you preparing to look at it as to
21 the traffic moving over the branches in western Canada?

22 MR. WOOD: We don't know yet.

23 MR. SINCLAIR: All right, your counsel has
24 answered.

25 Q. I would like to have the views of your
26 organization on this issue: If a passenger train
27 service was losing money, and alternative services
28 were available -- highways, buses or aeroplanes -- and
29 the railways applied to abandon that passenger train
30 service, let us say, for instance, between Edmonton and



1 Saskatoon, and they presented proof that they were
2 losing money ---

3 A. This would be the C.P.R. between Edmonton
4 and Saskatoon?

5 A. Yes, and they were losing money -- and
6 this is just an example -- and then it was opposed by
7 local interests, do you not think that the persons
8 who oppose and who are alleging that it is required
9 in their interests and who have knowledge of why it is
10 required should have all the burden of showing why it
11 is required?

12 A. We are not, as an organization, on the record
13 as opposing abandonment of any passenger service, and I
14 don't know that it is up -- if it is in the national
15 policy that a passenger service should be continued,
16 it should be continued possibly ---

17 Q. That in the national policy ---

18 THE CHAIRMAN: Let the witness finish.

19 MR. SINCLAIR: I am sorry.

20 THE WITNESS: If it is in the national
21 interest that a passenger service should be continued,
22 I think possibly it should be continued, but, as far
23 as the people in that particular area are concerned,
24 they would naturally, I suppose, in some instances
25 object to the abandonment of the passenger service; but,
26 certainly, we are not on record as being in favour of
27 carrying on a passenger service if it is going to be
28 in a deficit position every year year after year.

29 Q. And you would agree with me that it is
30 easy to say that something is in the national interest,



1 but one should be very careful, to analyse the facts
2 to see that it is truly in the national interest before
3 that is accepted; would you not agree with that?

4 A. Yes, I think so.

5 Q. And if someone alleges something that
6 is in the national interest, should not he have the
7 burden of proving it is in the national interest; isn't
8 that fair?

9 A. Yes, I will go along that far.

10
11 ---A short recess.

12
13 Q. I have two points that I wish to discuss,
14 and these arise out of page 16 of the submission of
15 the Alberta Wheat Pool, and the first one has to do
16 with a question of income tax. And the suggestion
17 is made herein, as I understand it, Mr. Harrold, old,
18 that if a tax adjustment was utilized to meet this
19 problem of securing compensation, fair compensation,
20 for the work performed in carrying this export grain,
21 your suggestion is that incentives to streamline operations
22 to become more efficient would be removed.

23 Now, Mr. Harrold, in your business and the
24 way you operate it, you do not pay as much taxes as
25 some other people in that business who operate it
26 differently. That is correct, isn't it?

27 A. We operate it under the same rules.
28 If they handle their business in the same manner that
29 we do, they would pay as little tax as we do.

30 Q. Quite right. That is what I said, and



1 I said, who operated it differently than you do?

2 A. That is their choice, not ours.

3 Q. ~~But there are~~ different tax rates applied,
4 correct, based on how you operate your business?

5 A. There are different tax rates applied,
6 but they are applied to both of us the same way.

7 Q. If you both operate your business the
8 same way, but if you are in the same business, there
9 is the privilege in the Income Tax Act if you operate
10 it the way you do, one rate applies; if you operate
11 it the way some other people do, a different rate
12 applies?

13 A. If we happen to operate it the same
14 way they do, the same rate applies to us as to them.
15 It is a matter of choice.

16 Q. My point is that there is a difference
17 in the taxes paid as to how you operate your business,
18 just that one fact. There is no doubt about that,
19 is there?

20 A. There is no doubt about that. I want
21 to qualify that. It does not apply to us only.
22 It applies to anybody who happens to be in the same
23 business.

24 Q. If they changed their method of doing
25 the business?

26 A. Yes, and if we change our method and
27 operate the same way as they do, we pay the same tax.

28 Q. The very fact that one operates one
29 ways and pay the same taxes, and you operate another
30 way and pay a lower tax, that does not affect your



1 efficiency, does it?

2 A. Well ---

3 Q. Now, that is a simple question.

4 MR. FRAWLEY: It is a matter of opinion.

5 THE WITNESS: It is a matter of opinion, yes.

6 MR. SINCLAIR: Q. You think that you,
7 by virtue of the fact that you operate it in one way,
8 and thereby pay a lower tax, that you are not as
9 efficient as the other person who pays a higher tax?

10 A. I don't think it has anything to do with
11 taxes, in that particular instance.

12 Q. You don't. Well, why would you
13 think that the proposal made by the Canadian Pacific ---

14 A. Well, there is a question of subsidy
15 involved, and there is no question of subsidy in the
16 illustration you are using in the operation of our
17 business.

18 Q. You say provision of a subsidy as a
19 tax, not as a tax exemption, but I would suggest a
20 tax adjustment. Would you agree "as a tax adjustment"?
21 Would you agree to that?

22 A. I cannot quite see the difference.

23 Q. Well, no, but I am asking if you will
24 accept it "as a tax exemption": "Provision of a
25 subsidy as a tax adjustment provides a convenient
26 umbrella that can cover many ills. When a company
27 is assured of a gift of its own choice to cover so-called
28 losses, then any incentive to streamline operations
29 and become more efficient are completely removed."

30 A. Well, I don't quite get at the reason



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1 you want me to change that word from "exemption" to
2 "adjustment". As far as our brief is concerned,
3 we use the word "exemption", and we are sticking to it.

4 Q. Are you suggesting there is a proposal
5 advanced anywhere to this Commission that would
6 result in tax exemption of Canadian Pacific?

7 A. Well, to the extent ---

8 Q. Oh, partial exemption. Is that what
9 you mean?

10 A. All right, yes.

11 Q. I see, I see. That is, I am
12 suggesting to you, what the proposal really is --
13 a tax adjustment. But you don't want to change it,
14 and I can see I can argue that at a later time. I am
15 going to ask you specifically, again, whether you think
16 that by virtue of the fact that you do your business
17 in one way and thereby attract a lower tax, and your
18 competitor does his business in another way and thereby
19 attracts a higher tax, that that makes you less
20 efficient?

21 A. It has nothing to do with efficiency,
22 because ---

23 MR. MAURO: Let him finish.

24 MR. SINCLAIR: All right. Will you
25 finish it?

26 THE WITNESS: The question that you are
27 asking is a different question entirely to what we
28 have set out here.

29 MR. SINCLAIR: Q. That may be. I am
30 not finished asking the question.



1 A. All right.

2 Q. Let's start again. If because of the
3 way you do your business you attract one level of tax,
4 and the way that somebody else does his business he
5 attracts a higher level of tax, is it your position
6 that by virtue of that, that by attracting the lower
7 level of tax you become less efficient?

8 A. Less efficient, no.

9 Q. "No" is your answer.

10 And, then, I want to ask you this. If,
11 say, 40 per cent of the capacity of your terminal
12 elevator at Vancouver -- you were directed by law
13 to make that available for the national interest --
14 at a price that did not cover costs, the Government
15 said to you: "The difference between what we are
16 paying you and the reasonable remuneration for the
17 work that is involved in providing that capacity of
18 40 per cent will be taken into account in the income
19 tax paid by Alberta Wheat Pool...", would you think
20 by virtue of that that you would become less
21 efficient?

22 A. That is an entirely different question
23 than the previous one that you asked.

24 Q. Oh, that is quite right. Now, I have
25 put another question to you.

26 A. Yes, I agree.

27 If by giving a tax exemption, and it is
28 coupled with a subsidy, certainly I think it would
29 have some effect.

30 Q. Alberta Wheat Pool would be less efficient



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1 merely because ---

2 A. If we can go to the Government every
3 year and say that because of our operation we require
4 more money, I don't think it would be in the best
5 interests of our farmer members that we should do that --
6 that we, in other words, become less efficient, yes.

7 Q. I am asking a specific question. You
8 have given over 40 per cent of the capacity of your
9 Vancouver terminal to the Government under direction
10 of law at a fixed price which does not meet your cost,
11 but the difference in your cost and what you get from
12 the Government will be taken up by way of income tax
13 adjustment. My question is is it your position,
14 Mr. Harrold, that by virtue of that arrangement
15 Alberta Wheat Pool becomes less efficient?

16 A. Yes, I think we would.

17 Q. You think they would?

18 A. Yes.

19 Q. Why?

20 A. For the very simple reason that the
21 question of how large the subsidy should be would be
22 decided each year on the basis of an application.

23 Q. Yes?

24 A. And there can be a number of reasons
25 why the exemption could be X dollars or Y dollars.
26 And I think the case would have to be proved each year;
27 whereas, the other way, with no provision in there for
28 a subsidy of any kind, you are in a better position
29 to meet competition, in that you are forced to carry
30 out efficient operation in any direction that you



1 possibly can.

2 Q. What you are really saying is that
3 the best thing is to let your services be remunerated
4 on the basis of the service and the cost of providing
5 it in all competitive factors, and that it is wrong
6 to have the Government fix prices?

7 A. No, I didn't say that at all.

8 Q. Well, that is ---

9 A. It's you that's saying it.

10 Q. That isn't what your answer amounts to?

11 A. No, no.

12 Q. Let me ask you again if you would tell
13 me why you believe that the fact that the Alberta Wheat
14 Pool had 40 per cent of its capacity at a fixed price,
15 and all it was going to get was just and reasonable
16 rates for the balance -- let's make it simple -- let's
17 make it very simple ---

18 A. That would help a lot.

19 Q. Alberta Wheat Pool now has the rates for
20 storage fixed as a maximum?

21 A. As a maximum, yes.

22 Q. They have a fixed maximum rate on storage.

23 If the Government said "Notwithstanding what you were
24 charging and notwithstanding the cost of what your
25 storage attracted, we are going to peg it at half of
26 your cost; half of your cost; or half of what you
27 would otherwise charge, and the adjustment is going to
28 be made by income tax", would you say that that would
29 make you less efficient?

30 A. Yes.



1 Q. Tell me why, please? Tell the
2 Commission why, please.

3 A. I think a subsidy of any kind has the
4 effect of lessening the efficiency.

5 Q. Oh. And that is the reason why you
6 would be against subsidies unless they were absolutely
7 necessary?

8 A. That is one of the reasons. That is
9 just one of the reasons.

10 Q. That is the main reason?

11 A. That is one of the reasons.

12 Q. In other words, it would be correct
13 to say, Mr. Harrold, that no subsidy should be paid
14 unless there was a clearly demonstrated national need?

15 A. That's right.

16 Q. And if instead of any subsidy being
17 paid by way of tax adjustment, it was paid gross,
18 as a gross amount, do you see any differences flowing
19 from that?

20 A. Well, I presume it would depend on the
21 company set-up, and one thing and another, whether
22 there would be any difference. You couldn't just
23 give a blanket answer Yes or No.

24 Q. Now, earlier today when you were answering
25 some questions of my friend, Mr. Cooper, and I think
26 also some others, and am I correct in what your position
27 was in regard to non-rail assets or income which were
28 to be considered in fixing rates, that they were confined
29 to assets arising from land grants?

30 A. From national policy and land grants in



1 western Canada.

2 Q. From land grants in western Canada?

3 A. That's right.

4 Q. Alone?

5 A. Yes.

6 Q. And when you say "arising from land
7 grants", do you mean directly arising from land grants?

8 A. I think there are some other considerations
9 that could be taken into account. There are some
10 indirect results of the land grant policy, and the
11 policy is going back into history as to the building
12 of these particular railroads, and I think some
13 consideration should be given to this.

14 Q. For example, if the Canadian Pacific had
15 husbanded their money and bought something, you wouldn't
16 want that taken into account -- the income from that --
17 correct?

18 A. That's correct.

19 MR. SINCLAIR: Thank you, Mr. Harrold, and
20 thank you, Mr. Chairman.

21 THE CHAIRMAN: Mr. McDonald?

22
23 CROSS-EXAMINATION BY MR McDONALD:

24 Q. Just one point, Mr. Chairman.

25 Mr. Harrold, I represent the Canadian National
26 Railways, and some reference has been made to an
27 application to abandon the Kingman Subdivision.

28 A. Yes, right.

29 Q. And some reference has been made to
30 notice of those applications for abandonment. You



1 have known about this for some time, have you?

2 A. When you say some references has been made--
3 not in this particular brief.

4 Q. No, no. In the answers today.

5 A. Yes, that's right. Yes.

6 Q. You have known about this one for some
7 time?

8 A. That's right.

9 Q. Yes. And there is still no notice
10 of hearing by the Board of Transportation Commissioners?

11 A. As far as I know, there isn't. There
12 is -- just a notice that application has been made.

13 Q. And that application was made about last
14 August, I believe?

15 A. Yes, I think so -- some time around there.

16 Q. So, are you aware that before these
17 applications are made the companies representatives
18 go around and discuss the question with the people
19 involved?

20 A. Yes, in this particular case I believe
21 that was done.

22 Q. Yes. And, then, in due course an
23 application is made, and then a considerable time
24 elapses before the Board gives notice of a hearing?

25 A. Yes.

26 Q. So everybody is aware of the fact that
27 it is coming along, and they have an opportunity to
28 prepare their case before the Board?

29 A. I agree this has happened in the Kingman
30 case, but I am not conversant with some of the others.



1 It may have happened that way, or it may not have; but,
2 in this particular case, I think it happened that way,
3 yes.

4 Q. And if this came about, and the Board
5 gave a notice of the hearing, if anybody wasn't ready,
6 they could make an application for postponement of
7 a hearing?

8 A. Yes, that's right.

9 Q. They wouldn't be taken by surprise, then?

10 A. Not in this instance, no.

11 THE CHAIRMAN: Thank you, Mr. Harrold,
12 very much. And we will probably be seeing you in
13 Ottawa. It depends, I suppose, on your counsel.

14 MR. FRAWLEY: Mr. Chairman, the Calgary
15 Chamber of Commerce sent a Resolution to the Secretary,
16 and the Secretary was good enough to bring it to my
17 attention.

18 I rather assume that the Calgary Chamber of
19 Commerce would be quite satisfied and perhaps pleased
20 if I would read the Resolution into the record.

21 THE CHAIRMAN: I am sure that they would
22 recognize you as the voice of Alberta.

23 MR. FRAWLEY: To the Royal Commission on
24 Transportation: Whereas the solution to the financial
25 problems of the railways is a matter of national
26 importance, and

27 Whereas there is need of a freight rate
28 structure that will be equitable to all parts of the
29 country and to all sections of commerce, industry and
30 agriculture and that will provide the revenues necessary



1 to maintain the railways in a sound and healthy
2 condition, and

3 Whereas the Royal Commission has a grave
4 responsibility to make certain that every factor bearing
5 on this question should be heard and studied,

6 Therefore, be it resolved that the Royal
7 Commission inquire into every facet of the revenues of
8 the railways with a view to arriving at a freight rate
9 structure which will provide freight rates equitable to
10 all parts of Canada and to all sections of commerce,
11 industry and agriculture, and at the same time provide
12 the necessary revenues to maintain a sound railway
13 system. The Calgary Chamber of Commerce,
14 February 5, 1960.

15 MR. SINCLAIR: Mr. Chairman, I spoke to
16 my friend, Mr. Frawley, and I think that this is an
17 appropriate time for me to put on the record a request
18 that I made in Manitoba and in Saskatchewan, and that
19 would be that the Province of Alberta make available
20 the expenditures on highways, federal, provincial,
21 and municipal, capital and maintenance for a period
22 of three or five years, as they wish, as well as the
23 calculation for these years.

24 That is the same request I made in Manitoba,
25 and also in Saskatchewan, and in both provinces --
26 they were gracious enough to say they would provide
27 it and look into it, and I am sure ---

28 MR. FRAWLEY: Well, I'm not second to
29 Manitoba and Saskatchewan in graciousness, I hope, and
30 neither is my province, but I thought my friend was



1 going to be writing me about this. He travels
2 with staff and outriders and postillions, as he goes
3 through the country, and I thought he was going to
4 write about this.

5 MR. SINCLAIR: And my friend, Mr. Frawley,
6 rides shot gun.

7 MR. FRAWLEY: I ride the Canadian National!
8 Now, not being able to see the transcript for perhaps
9 several days and not wanting to rely on my notes, but
10 that powerful lot of information about our highway
11 programme, we will be very glad to get that for you.

12 THE CHAIRMAN: Anything further?

13 MR. HUME: I noticed on the agenda which
14 the secretary handed me that there was a statement
15 that the Canadian Trucking Association would be making
16 some sort of a statement or submission from the
17 Province of British Columbia.

18 Now, that appears there as an error and I have
19 informed my friend, Mr. Brazier, and I just wanted to
20 announce to my friends here that there will be no
21 evidence lead by the Canadian Trucking Association
22 in the regional hearings in British Columbia.

23 THE CHAIRMAN: Anything further, Mr. Frawley?

24 MR. FRAWLEY: No, there is nothing further,
25 I think, to put in here. As we are proceeding to
26 the Province of British Columbia I would like to say
27 on my own behalf, at least, that if the Commission has
28 any information on the people that are putting in
29 briefs out there, that I would like to request that
30 a provincial counsel be supplied with copies of those



1 briefs. I must say at once that I have a copy of
2 the Provincial Government's brief, but I understand
3 that some other people are making submissions, and if
4 it is possible I would like to see those briefs.

5 MR. GUEST: Mr. Brazier is taking this
6 matter up as soon as he arrives in Vancouver.

7 MR. FRAWLEY: That is as good as settled,
8 then.

9 THE CHAIRMAN: Then, we will adjourn
10 now to meet again in the City of Victoria on Monday
11 next. This hearing will be at the Empress Hotel,
12 and we will meet at 10:00 o'clock a.m.

13
14 ---Adjournment.

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